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# China Report

ECONOMIC AFFAIRS



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5 March 1985

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## NATIONAL POLICY AND ISSUES

### ECONOMIC MEETING CALLS FOR CHANGE IN PARTY WORK

OW140537 Beijing XINHUA Domestic Service in Chinese 1445 GMT 13 Feb 85

[By reporter Zhu Zemin]

[Text] Tianjin, 13 Feb (XINHUA)--A national conference on economic work held that a major current question is how enterprise party committees should adapt their work to the needs of implementing the system of responsibility by factory managers.

The conference pointed out: Instituting the system of responsibility by factory directors is a major reform in the system of enterprise leadership, as well as in the work of enterprise party committees. Since production and operations are the core of an enterprise's work, it is imperative to really establish the factory director's authority in these respects. To this end, an enterprise party committee, particularly its secretary, should effectively make three changes: 1) It is necessary to change, ideologically, from collective leadership by the party committee, and the final decisions by the party secretary on production, operations, and administration to exercising supervision in these respects. 2) The party committee should change from exercising unified leadership over the work of the enterprise, and assuming full responsibility for it, to exercising leadership over party and mass work, as well as ideological and political work. 3) In leadership methods, the party committee should change from being used to "centralizing power on major issues and decentralizing power on minor ones," and "everyone carrying out the decisions by the party committee," to the performance, by the party and government, of their respective functions and responsibilities in order to make concerted efforts to run an enterprise well. During discussions, representatives held: Experiments in broadening the scope of the system of responsibility by factory directors are now being conducted in state-owned industrial enterprises in various parts of the country, and enterprise party committees should conscientiously advance this reform.

Many representatives said: In the course of implementing the system of responsibility by factory directors, it is necessary to stress the proper handling of the relationship between the party committee secretary and the factory director. The secretary of an enterprise party committee should be broad-minded, attain a lofty spirit, and strive to do his work well. In doing this work, the factory director should boldly assume responsibility, and conscientiously accept supervision by the party organization and the masses; he should not only be proficient in his professional work, but also have a knowledge of politics, ideological and political work, and how to effectively overcome the phenomenon of doing political and economic work in a specious and perfunctory manner.

The conference held: In implementing the system of responsibility by factory directors, and bringing about a change in the work of the party committee, it is also necessary to improve the system of congresses of workers and staff members and other systems of democratic management, giving full play to the authority and role of the trade union organizations and workers' and staff members' deputies in examining and discussing major decisions to be taken by the enterprises, supervising administrative leadership, and safeguarding the legitimate rights and interests of the workers and staff members. All this expresses the status of the working people as masters of the enterprise. It is the enterprise party committee's important duty to effectively solve such problems. This calls for further studies, experiments, and summaries in order to gain more and mature experiences in this respect.

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## NATIONAL POLICY AND ISSUES

### BAN YUE TAN REVIEWS PROSPECTS FOR 1985

HK111146 Beijing BAN YUE TAN in Chinese No 1, 10 Jan 85 pp 11-13

[Article by the Editorial Department: "Outlook for 1985"]

[Text] As we enter 1985, the enthusiasm for all-round reform is spreading throughout the motherland, and the 1 billion Chinese sons and daughters are stepping up their pace on their march to invigorating the Chinese nation. Looking at the past and forward to the future, people are overjoyed to see that with each passing year, China's national situation is getting brighter and brighter, the policies are being perfected and becoming complete, the measures are more and more effective, our plans are becoming more and more meticulous, and our faith is ever strengthened. Our party and state are full of vim and vigor, and our nation and people are full of hope and confidence.

We have scored marked achievements over the past year. The new year which has just begun faces heavy responsibilities. In this, the last year of the Sixth 5-Year Plan, we must work hard to fulfill and overfulfill the goals of the national economy and social development by the end of 1985. All tasks focusing on this are important and arduous.

The reform of the economic structure, centered on the cities, will develop in depth. If we view the decision on the reform of the economic structure adopted by the 3d Plenary Session of the 12th CPC Central Committee in 1984 as a blueprint of reform for building socialism with Chinese characteristics, then 1985 is the year for us to start building in accordance with this blueprint. We must do our best to make the enterprises strengthen their vitality, to do away with eating from the same big pot of the state by the enterprises and eating from the same big pot of the enterprise by the workers and staff members, and enhance the enthusiasm, initiative, and creativeness of the workers and staff in the enterprises. While continuing to do a good job in the second step of substituting tax payment for profit delivery, we will further carry out the reform of the planning system so as to develop socialist commodity economy, carry out the reform of the price system so as to promote the improvement of economic results with the application of economic levers, and carry out the reform of the wage system so as to better implement the principle of distribution according to work. In the new year, we will further implement the principle of opening to the world and develop diversified economic forms. We will appoint a large number of qualified people who have acquired modern economic and technical knowledge, who have the spirit of reform, and who are able to open up a new

situation. The pace will be stepped up in 1985 in regard to the reform of separating the functions of government and enterprises, which began in 1984. In particular, we will implement simpler administration and decentralization, strengthen macroscopic guidance and supervision, and actively render services to help enliven the enterprises, so as to correctly bring into play the function of government organs in economic management. It is expected that as the reform develops, the bonds unsuitable to production relations and the superstructure will inevitably be broken through, so that we may take an important step in our active march toward building socialism with Chinese characteristics.

The focus of reform in the rural areas will be shifted to the reform of the industrial mix. Having gone through 5 years of successful reform, China's rural areas have welcomed in a new situation: on the one hand, the rural areas are in a favorable position to accelerate the development of the commodity economy; on the other hand, discord still exists in many areas in the transformation to a commodity economy. The new situation requires us to reform the industrial mix in the rural areas, to further enliven the rural economy, and to promote the transformation of the rural economy to specialized, commodity, and modernized production according to the needs of the society and market. The agricultural structure and varieties must undergo a rational and effective transformation both in quantity and quality. In places where there are advantages in growing grain, utmost efforts should be made so that grain may be converted into meat, milk, and eggs. In places where the commodity economy is developed, the acreage planted with grain may be reduced so as to plant more economic crops. Mountainous areas, grassland, and lake areas should return to forestry, animal husbandry, and fishery instead of farming. In short, grain production should still be firmly grasped. At the same time, attention should be paid to those industries which have long been neglected and to putting animal husbandry, fishery, forestry, and the processing of agricultural and sideline products in an important position. Particular attention should be paid to animal husbandry, which is the weak link. When the industrial mix is readjusted, there will be an even greater leap in the rural production. When the industry in the cities has a better supply of raw materials, people's living standards will be greatly improved, there will be a larger market for commodity circulation, and the foundation of the whole national economy will become even more solid.

In order to bring into full play the role of science and technology in invigorating the economy, technology must be turned into a commodity, a science and technology market must be opened, and the transfer of technology must be implemented with compensation. In the new year, all localities and departments must attach still greater importance to the role of science and technology and show respect for science and talented people. We must try our best not to let new technology stay in the laboratories and not to make it simply a model for emulation. We should allow it to enter the production and circulation fields, to create items of value, and to bring into play its results, so as to benefit the people. With regard to people who have made outstanding contributions to science and technology, they should be given high awards. It is necessary for those science and technological personnel who have directly participated in invention and creation to obtain substantial compensation. One of the important tasks facing us is to bring into play the initiative of thousands of science and technological personnel, so that they may plunge themselves into the

socialist modernization as quickly as possible and so that science and technology may be genuinely linked with economic construction and may bring substantial economic results, making our nation powerful and prosperous. All science and technological personnel who are determined to devote themselves to the motherland should look for appropriate areas in which to work in the national economy and work in the spirit of being the masters of the country. They should display their talent in the four modernizations.

The new year will be one in which to carry out educational reforms. In order to train more talented people in a faster and better way, "It is primarily necessary to reform the educational structure, to attach importance to education in professional skills, and to develop technical institutes, intermediate technical schools, and vocational schools. In the administrative system of the educational field, it is necessary to break through departmental control and the situation of a separation between areas and departments, so as to improve the quality of education and to train better qualified people. An atmosphere of showing respect for knowledge and talented people, and showing concern for education should take shape in the whole party and society. The Central Committee and State Council have decided to raise the salaries of middle and primary school teachers beginning on 1 January 1985. This is good news for the whole society, because education is a major question that concerns thousands upon thousands of households, our future generations, and the rise or decline of the nation. In the educational reform, it is imperative to adhere to the principle of facing modernization, the world, and the future.

The first-stage party rectification work begun in 1984 has developed healthily, and it has basically achieved the expected aim. In 1985, the second-stage party rectification will be carried out among 13.5 million party members at prefectural and county levels. The fact that one-third of the members of the whole party are taking part in party rectification itself is a matter of importance. It is necessary to link with the actual conditions of the reform at present and to earnestly make the party rectification work develop healthily according to the spirit of the Central Committee's decision on party rectification. It is necessary to continue to carry out the education on thoroughly negating the "Cultural Revolution," which is of extremely important significance to unifying ideology and purifying the organization throughout the party. In party rectification, while opposing bureaucracy and the abuse of power for personal gains, it is necessary to lay stress on serving the people wholeheartedly, opposing the abuse of power in the name of serving the people, and to correct all sorts of unhealthy tendencies emerging under the new situation. Through party rectification, a large number of cadres who are good in party spirit, who are able to create a new situation, and who are better educated and in the prime of their lives will be promoted to leading posts at all levels, so that the party leadership at all levels will be filled with vim and vigor. Through party rectification, the party members will further enhance their political consciousness, as well as their revolutionary enthusiasm to benefit the people, to devote themselves to the four modernizations, and to strive for the communist cause. This will stimulate them to make contributions to creating a new situation in socialist modernization. In 1985, our party will convene its party congress. Let us welcome it with new accomplishments in the reform.

5 March 1985

## NATIONAL POLICY AND ISSUES

## CORRUPT CPC CADRES THREATEN ECONOMIC REFORM

HK120343 Beijing CHINA DAILY in English 12 Feb 85 p 1

[Text] Corrupt cadres who are profiteering or otherwise taking advantage of their positions in defiance of party rules are currently considered a major threat to the success of the nation's economic reforms.

In light of this, the Communist Party Disciplinary Inspection Commission has issued fresh warnings urging all ministries and commissions under the State Council to take the lead in combating these and other "unhealthy tendencies."

The commission's Permanent Secretary Wang Heshou said at a special meeting of government and party leaders that all departments must promptly check and correct the wrongdoings and report what they have done to the party Central Committee and the State Council.

In anticipation of the wage and price reforms, Wang said some institutions are handing out undeserved promotions and annual bonuses several times higher than the figures allowed by the state. Then some officials issue false financial reports covering up their illegal activities.

In addition, some newspapers and publishers have been putting out sensational tabloids to boost profits, he said.

These practices are jeopardizing the state's planned wage and price reforms and giving urban dwellers a distorted impression of the upcoming reforms.

Wang told party leaders of all ministries and commissions attending the meeting that party discipline should be strictly implemented.

He said that since the party Central Committee decided to extend economic reform from the countryside to the cities last October, unexpected successes have been achieved but it also has given rise to some unhealthy tendencies, most of them connected with money.

Some state institutions and party and government officials who are not supposed to set up businesses are establishing corporations to engage in speculation, he said.

Price hikes are rampant as some commercial departments are raising prices at random, ignoring state price controls and damaging the interests of the state and consumers.

The major causes of these problems are party members and cadres' lax discipline and lack of education among some party members and cadres, Wang said.

Law-breakers must be severely dealt with and those who commit serious offenses can expect to be dismissed from their jobs and expelled from the party, he warned.

Meanwhile, Tian Jiyun, vice-premier, who also attended the meeting, told participants that these unhealthy practices, if left unchecked, would damage the image of the party and corrupt society.

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NATIONAL POLICY AND ISSUES

DISCUSSION ON NEED, PROSPECTS FOR PRICE REFORM

HK080709 Beijing CHINA DAILY in English 7 Feb 85 p 4

[By CHINA DAILY commentator]

[Text] Agriculture is destined again to take the lead in China's next round of reforms, namely of its price structure. This was announced in an article written by Premier Zhao Ziyang for the party's theoretical journal RED FLAG published last Thursday.

Entitled "Promoting a Structural Reform in Rural Production Through Relaxing Price Controls on Agricultural Commodities," the article outlines the specific measures that are to be taken to initiate China's price reforms.

Earlier, Vice-Premier Tian Jiyun had indicated that one of the principles guiding the approach to price reforms should be to start with the easy and then attack the difficult. The criterion for judging what is easy and what is difficult should be the impact on the direct interests of the people.

One would have thought that food prices are so sensitive that they would not be given a high priority. However, Premier Zhao made it clear that controls on food prices are due to be relaxed gradually, starting first on pork and vegetables and proceeding to cereals.

The urgency for tackling prices and the distribution system of agricultural commodities is twofold. One is that the former system of a virtual state monopoly on agricultural produce has become an impediment to further growth in this sector.

That system was devised 30 years ago when there was [word indistinct] shortage of all agricultural commodities. The state bought nearly all that was produced at fixed, low prices and sold them to urban consumers also at low subsidized prices.

These purchasing and supply prices soon got out of line with actual costs of production. To give farmers more incentive to develop production, purchasing prices were raised in 1978, while retail prices have remained unchanged.

The upshot of that price adjustment was that farm output increased by leaps and bounds to the extent that in some places they outstripped storage capacity. However, since the bulk of agricultural produce were still not subject to market forces, what was grown and raised did not fully reflect market demand. Moreover, the subsidies and money tied up in inventories represented a heavy burden on the state treasury.

Another important factor is that there is now a rare opportunity to undertake a structural adjustment in agriculture. As Premier Zhao said, the government had been wanting to tackle this problem for years but didn't dare do so because there was not an adequate supply of grain. With 400 million tons of grain harvested last year, supply has exceeded demand, albeit at a relatively low consumption level.

No one will deny, however, that gradually to loosen controls on food prices and let market forces affect what and how much farmers will grow and raise is a very difficult task. If China is to succeed in this endeavour, it is imperative that the interests of both the producer and consumer must be accommodated.

This means that the state will not refrain from intervening in the market when necessary. In fact, one can expect more intervention in the beginning and less as the price structure becomes more rational.

An example is cereals, where the state will purchase 30 percent of the contracted quota of 80 million tons at the existing fixed quota price and 70 percent at the higher, preferential price. Farmers are entitled to sell their surplus at whatever price they can get on the market, but if the price falls below the state's quota price, the state will purchase whatever amount they wish to sell at that price. In this way, the interests of the farmer will be protected.

As controls are gradually relaxed on such products as pork, vegetables and aquatic products, the floating price will give farmers the correct signal as to what market demands are, and they will produce accordingly. Prices may go up in the beginning, but increased output will eventually bring prices down to what the market will bear.

Furthermore, to ensure that the interest of the consumer is not unduly affected in the beginning, subsidized prices may be continued for the rational amounts of sensitive commodities such as pork, grain and edible oils.

When such a prudent and measured programme is put into effect, the chances are good that the initial shock of price reforms will be satisfactorily absorbed, and the people will be reassured that price reforms will, in fact, promote a more balanced and sustained growth that will lead to a better life.

CSO: 4020/115



NATIONAL POLICY AND ISSUES

BRIEFS

CONSUMER PROTECTION--Beijing, 19 Jan (XINHUA)--The State Council has approved the founding of the China Consumers Association, the State Administration for Industry and Commerce announced here today. The 102-member council was set up last December 26 and is headed by Li Yanshou, deputy director general of the State Administration for Industry and Commerce. Economist Xue Muqiao and jurist Gu Ming were named advisers. The association will publish a newspaper, assist the government in making laws and regulations, inspect commodities and hear consumer complaints. It will also take an active part in international affairs and establish ties with selected foreign consumer organizations, Li Yanshou said. [Text] [Beijing XINHUA in English 1451 GMT 19 Jan 85]

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## PROVINCIAL AFFAIRS

### JIANGSU GOVERNOR DISCUSSES ECONOMIC TASKS, PLANNING

OW111237 Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 8 Feb 85

[Text] The 11th Session of the Standing Committee of the 6th Jiangsu Provincial People's Congress began this morning in Nanjing. Vice Chairman of the Standing Committee Kuang Yaming presided over the opening meeting. The meeting first heard the report on the past economic work and future planning made by Governor Gu Xiulian on behalf of the Jiangsu Provincial People's Government. She gave an account of the achievements in economic work made in 1984 in three aspects: Economic construction and social development, economic restructuring, and opening to the outside.

Jiangsu had its best economic situation in 1984. The first battle of the new seven-battles-seven-victories campaign has been won and the Sixth 5-Year Plan overfulfilled ahead of schedule. This has laid a good material foundation for the economic and social development during the Seventh 5-Year Plan.

Gu Xiulian also pointed out the existing problems and defects. They were mainly insufficiency in investigation and study at the basic-level units, insufficient attention to the work in some fields, and delayed solution of some problems. For instance, some party and government organs and cadres took advantage of their power and positions to run enterprises or do business, prices were raised illegally, and cash or materials were indiscriminately distributed as bonuses, and other new evil practices. These were not favorable to solidifying and developing the prevailing excellent situation and the sound evolution of economic restructuring. We must be determined to stop these evil practices.

Reporting on the economic planning for 1985, Governor Gu stressed the tremendous significance of doing successful economic work this year and put forth general requirements. The main points were to implement five plans and make progress in five aspects. She made an analysis of the favorable conditions for economic work this year and at the same time pointed out the numerous difficulties ahead. She said that it was necessary to further emancipate our minds, carry forward the enterprising spirit, and strive to do well our work so as to create a new situation in Jiangsu's economic work.

He Binghao, vice chairman of the Standing Committee, made a report on the work in 1984 and the planning for 1985 of the Standing Committee of the provincial people's congress. Wu Xijun, chairman of the provincial Scientific and Technical Committee, made a report on preparations for implementing the Patent Law of the PRC. Liu Shuxun, Li Qingkui, Wang Bingshi, and (Hong Peilin), vice chairmen of the Standing Committee, attended the meeting. Panel discussions were scheduled for this afternoon.

CSO: 4006/382

PROVINCIAL AFFAIRS

LIAONING PROVINCIAL SESSION HELD ON OPENING YINGKOU CITY

SK070506 Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 6 Feb 85

[Text] In an interview by a station reporter at the ongoing provincial session on coastal city economic and technological cooperation at (Zuanshidao) Guest House in Dalian City, Xu Shilian, mayor of Yingkou City, said that Yingkou City could be another window of Liaoning Peninsula for opening to the outside and we invite cities and prefectures across the province, three provinces in northeast China, and the broad masses of peasants to establish various undertakings in Yingkou City to accelerate the pace of Yingkou opening to the outside.

Mayor Xu Shilian said to the reporter: With a long coast line, Yingkou has favorable conditions for building ports. The city has rich natural resources in aquatic products, fruits, and tourism. Recently, the State Council made a suggestion on designating Yingkou City as the Liaonan economic zone to serve in making the economy of three provinces in northeast China flourish. However, because Yingkou has a comparatively heavy task of urban transformation, Yingkou City is willing to cooperate with cities and prefectures in the province and three provinces in northeast China in running factories, building wharfs, developing coastal beaches, and engaging in urban transformation. The city CPC committee and government decided to hold a meeting on conducting domestic cooperation and importing foreign economies and technology in March. Those who are willing to cooperate with Yingkou may enjoy equal preferential treatment.

Xu Shilian also told the reporter: The city has designated broad areas to the north of the estuary of the Liao He for wharf and storage construction. Those who construct wharfs and storage facilities will take charge of them. The city will not share the earnings from the wharfs and storage facilities for a few years. In order to form a rural trade-industrial-agricultural production structure, Yingkou City is also prepared to build several large markets for commodity exchange. The broad masses of peasants are welcome to run businesses and cooperatives in urban areas. Those peasants who run businesses in urban areas for a long period of time are allowed to turn their residence registration into urban one. Those peasants who invest 50,000 yuan or more in urban transformation may take one of their children to work in urban areas.

Finally, Mayor Xu Shilian gladly said to the reporter: At present, over 300 units and individuals from Jilin and Heilongjiang Provinces, and cities and prefectures in our province have decided to run various undertakings in Yingkou. The Yingkou furniture trade market and the Gaixian fruit nursery stock trade market, which are under construction, have a strong appeal to the whole nation.

CSO: 4006/373

PROVINCIAL AFFAIRS

NEI MONGGOL TO OPEN TWO CITIES TO OUTSIDE PLACES

SK310143 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 30 Jan 85

[Text] In order to implement the important instruction of Comrade Hu Yaobang, the standing committee of the regional CPC committee held discussions on the issue of opening Erenhot and Manzhouli cities to outside places and noted down a summary of the discussions.

The summary points out: Comrade Hu Yaobang's talk on enforcing the open-door policy in enlivening the domestic economy, given during his inspection tour of the two cities, has a very important strategic meaning. We should further deepen our understanding regarding the spirit of Comrade Hu Yaobang's talk by studying the decision adopted at the 3d Plenum of the 12th CPC Central Committee concerning conducting reforms among economic systems and should also accelerate the pace of enforcing the open-door policy in order to enliven the domestic economy.

The summary stresses: The leadership of the two cities should earnestly study their reality and bring into play their strong points in order to do a good job in enforcing the open-door policy. They should map out long-term and all-round plans concerning the work in all fields, particularly in the economic field. Meanwhile, by having their far-reaching targets in mind and starting with immediate tasks, they should organize all forces to carry out these plans step by step.

The summary urges the regional-level departments concerned to cooperate with related leagues and cities to immediately formulate the outline of the two cities' plans for developing the economy and to do a good job in making arrangements for building basic facilities and making preparation for building these facilities.

The regional financial department has made special funds available to the two cities for building and maintaining their urban areas.

CSO: 4006/373

PROVINCIAL AFFAIRS

GUANGDONG TO ADOPT PREFERENTIAL POLICIES TOWARD COMMERCIAL INDUSTRY

HK051422 Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 5 Feb 85

[Text] The provincial government recently decided to adopt preferential policies toward industries run by commercial enterprises from 1 January 1985 to 1990. It stipulated that except for income taxes, which large and medium industrial enterprises run by commercial units should pay according to regulations, they need not pay regulatory taxes. The profits reserved by the enterprises should be used to carry out technological innovation and develop production. The newly established plastics and food industries should be exempted from income taxes for 3 years. One year's exemption of income taxes should be granted as an encouragement to newly produced fine-quality and famous brand products which have been approved and named by relevant departments at the provincial or high levels.

Provincial, city, and prefectural industrial and commercial banks and agricultural banks must grant beyond their plan some medium-term or short-term loans to industrial enterprises run by commercial departments for buying equipment. They must also do their best to grant some low-interest loans to the industries run by commercial enterprises to develop new technology, equipment, and products.

As for those projects in which industrial enterprises run by commercial departments have carried out technological innovation and replaced equipment with reserve funds, loans, and shareholders' funds, the enterprises concerned should be exempted from income taxes in the first year after the projects are put into operation. Their income should be used to repay loans. The new profits in the second year should be used to repay loans. Preferential treatment should be granted to the industrial enterprises run by commercial departments which have brought in advanced technology and equipment from foreign countries according to relevant stipulations of the state concerning tariffs, product tax, and value-added tax.

CSO: 4006/373

PROVINCIAL AFFAIRS

SHANXI PROVINCE PROMOTES ECONOMIC WORK REFORM

OW091451 Beijing XINHUA Domestic Service in Chinese 0842 GMT 8 Feb 85

[By reporters Jin Jiasheng and Shang Baijiang]

[Excerpts] Taiyuan, 8 Feb (XINHUA)--By making investigations and studies at grassroots units as well as touring other provinces to gain experience, the Shanxi Provincial CPC Committee has eliminated the conservative concepts of leading cadres at all levels and further promoted the province's economic reform.

In December last year Governor Wang Senhao personally conducted 13 special investigations. All prefectures, cities, and departments directly under the provincial jurisdictions submitted over 150 special and general investigation reports to the province. Meanwhile, from early December last year to early January this year, Li Ligong and Wang Jiangong, respectively secretary and deputy secretary of the provincial party committee, also led party committee secretaries of the province's 11 prefectures and cities, and responsible persons of the departments concerned directly under the provincial jurisdiction to Jiangsu and Guangdong Provinces, where commodity production was more developed, to learn their advanced experiences.

At its recent work meeting the provincial party committee disclosed the shortcomings in the province's economic work and invited responsible comrades from Jiangsu Province, Suzhou City, Wuxi City, Wuxi County, and Shijiazhuang City to introduce their experiences in economic reform. Comrades attending the meeting held that in order to create a new situation for Shanxi's economic work, it is necessary to correctly handle the relationship between partial and overall interests and stick to the principle of combining theory with practice. On this basis, the provincial party committee and government drew up plans, focused on invigorating the enterprises, for reforming the economic structure and put forward 35 reform measures and specific regulations granting enterprises more decisionmaking power in operation and greater self-transforming power. They also formulated measures for further liberalizing policies and accelerating the development of city and town collective enterprises, made further readjustments of the industrial structure to spur the development of village and town enterprises and help impoverished mountain areas improve their conditions, and put forward measures for giving preferential treatment to those who have contributed to opening the province to the outside world.

The Shanxi Provincial Party Committee emphatically stated: Departments at the provincial, prefectural, and county levels should conduct an all-round inspection this June on the implementation of these plans and measures for the reform of economic structure.

## PROVINCIAL AFFAIRS

### NEI MONGGOL SCORES ECONOMIC ACHIEVEMENTS

SK121002 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 11 Feb 85

[Text] According to the regional statistical bureau, the region scored marked economic achievements in 1984. In 1984, the region further implemented the principle of opening to the world, and enlivening the domestic economy, and accelerated the pace of the economic structure reform, thus witnessing a good economic situation seldom seen during the previous several years. Total industrial and agricultural output value for 1984 was 13.9 billion yuan, a 9.47-percent increase over 1983. At the same time, the region prefulfilled the 1985 targets set by the Sixth 5-Year Plan in terms of total social product, total industrial and agricultural output value, the national income, and the output of grain, oil-bearing crops, beets, and 21 major industrial products. Major indicators of the good regional economic situation in 1984 were the sustained increase of industrial production, and the marked improvement of economic results. The annual industrial output value was 8.213 billion yuan, a 9.01-percent increase over 1983. Light and heavy industries developed harmoniously and in a coordinated fashion. Among the 100 major industrial products, the output of 65 surpassed the 1983 figure. Economic results were also raised remarkably. State-run industrial enterprises netted 20.77 percent more profits than in the previous year, and the growth rate of profits greatly surpassed that of output value.

After reaping bumper harvests in the previous 4 years, the region reaped another bumper harvest in agriculture and animal husbandry in 1984. Agricultural output value in 1984 was 6.59 billion yuan, a 9.6-percent increase over 1983. Output of grain, oil-bearing crops, and beets all increased. Number of domestic animals slaughtered and sold as commodities increased. Total output of pork, beef, and mutton increased. The economy in rural and pastoral areas continually developed in terms of breadth and scale. Investment in fixed assets increased, the development of key construction projects was accelerated, and returns on investment increased. A number of large and medium-sized construction projects were completed and went into production, thus increasing the energy production and transport capacity by varying degrees. Urban and rural markets in the region were brisk, and a multi-channel commercial network was formed initially. Retail sales in 1984 reached 6.8 billion yuan, an 18.06-percent increase over 1983. A relatively big increase was realized in the sales volume of consumer goods, such as grain, edible oil, woolen piece goods, silk cloth, knitting wool, TV sets, and wrist watches. Revenue increased greatly, and the income of urban and rural residents also increased. Regional local revenue reached 835 million yuan, a 20.3-percent increase over 1983. The rate of increase of revenue surpassed that of industrial output value and market sales.



PROVINCIAL AFFAIRS

JILIN ECONOMIC DEVELOPMENT CORPORATION ESTABLISHED

SK100353 Changchun Jilin Provincial Service in Mandarin 2200 GMT 8 Feb 85

[Text] On 8 February, Jilin Province formally established an international economic and technical development corporation. Attending the inaugural ceremony of the corporation were Liu Yunzhao, Liu Shulin, and Wang Jinshan, vice governors of the province, and Gao Wen, secretary general of the provincial people's government and vice chairman of the board of directors of the corporation. Meanwhile, they received more than 50 foreign businessmen from Japan, the Federal Republic of Germany, Sweden, and Hong Kong.

The provincial international economic and technical development corporation has been authorized independent economic rights and may enforce the system of carrying out accounting independently and being responsible for its own profits and losses. It can carry out economic exchanges, trade, and compensatory trade with outside areas, as well as leasing operations. It may import advanced technology and equipment, conduct advisory service to outside areas, undertake the export of local commodities, and take up the task of regulating material supplies within or outside the province.

The provincial international trust and investment corporation that originally undertook the business mentioned above will primarily run financial affairs such as raising funds and releasing loans.

The newly-established corporation will play an active role in fully utilizing material resources in the province and both domestic and foreign capital in order to develop new technology and products, in introducing advanced technology and equipment, in accelerating the pace of improving enterprises and making technical progress, and in increasing the province's trade volume in both exports and imports.

Also attending the inaugural ceremony were (Ji Zibin), director of the provincial foreign affairs office; (Liu Dechun), acting chairman of the provincial foreign economic and trade commission; and (Li Decheng), acting chairman of the provincial economic planning commission.

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PROVINCIAL AFFAIRS

HEBEI FORMULATES STEPS TO INVIGORATE LARGE ENTERPRISES

HK081012 Shijiazhuang HEBEI RIBAO in Chinese 31 Jan 85 p 1

[Report: "Provincial Government Formulates a Seven-Point Policy for Invigorating Large-Sized Enterprises"]

[Text] Recently the provincial government formulated a seven-point policy, for invigorating large-sized backbone enterprises.

First, the enterprises are allowed to decide on their own the technological transformation projects which require a total investment of less than 5 million yuan or require less than \$1 million of foreign exchange at their own disposal, if they use their own funds and contract loans to carry out these projects by reporting them to the higher authorities for the record. On the premise of ensuring a definite growth rate of the tax and profit contributions to the state, the enterprises are allowed to raise their depreciation rate each year under varying regulations in different industries. The concrete methods of readjusting the depreciation rate can be determined by the prefectural and city authorities.

Second, the enterprises' own funds of all types will be left completely at their own disposal. The enterprises can arrange on their own the use of their after-tax profits under the premise of ensuring production development.

Third, while ensuring that the larger part of earnings will be turned over to the state and that the tax and profit contributions to the state will increase each year, the enterprises can determine on their own the wage and bonus-issuing systems in light of their own characteristics. The payroll of an enterprise can be linked to the enterprise's tax and profit contribution to the state. For enterprises whose product lines are not too complicated and are readily marketable, the method of fixing a percentage of wages in the total costs of products can be adopted so that the payroll of the enterprises can be included in product costs and can move up and down along with the enterprises' tax and profit contributions.

Fourth, after fulfilling the state-assigned production targets, the enterprises are allowed to sell their surplus products on the markets within the limits prescribed by the relevant state policies at a price fixed by the seller and the buyer on a negotiating basis. Good-quality products are allowed to sell for high prices.

Fifth, enterprises which consume energy equivalent to 50,000 tons of standard coal or more can formulate on their own methods of rewarding people and collectives which achieve results in energy conservation. Enterprises which consume large quantities of raw materials which are in short supply can also formulate on their own methods of rewarding those who make contributions to saving raw materials by setting the rewarding standards at a high level.

Sixth, enterprises which produce export goods are entitled to retain 50 percent of the foreign exchange earnings that are left at the disposal of the local authorities and are entitled to use this foreign exchange on their own.

Seventh, the enterprises have the right to adopt different forms of management over their production and operations. They are allowed to conduct economic accounting at the lower levels, to enter into cooperation with enterprises in other regions or industries, and to diversify their business.

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PROVINCIAL AFFAIRS

BRIEFS

XINJIANG ECONOMIC CRIME--In the struggle against serious economic crime last year, the region investigated and dealt with a number of economic criminal cases and recovered some 2.07 million yuan. A prominent feature of the struggle against serious economic crimes in the region last year was that great efforts were exerted to grasp important, major, and new cases. Dead corners and units have become fewer. After serious investigation, a new situation has been created in some units where some people believed there were no problems. The regional Communications Department dispatched a joint group to conduct investigations in 25 units in 5 areas, and obtained a vast amount of information concerning economic crime. Of all the new cases, 50 have been investigated and dealt with. The regional Grain Bureau conducted financial examinations in the region's 710 units which carry out independent business accounting. In the first half of last year the bureau investigated and handled 75 various economic criminal cases, of which 17 were important and major cases. [Excerpts] [Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 8 Feb 85]

ANHUI WORKERS' PAPER--Approved by the Propaganda Department of the Anhui Provincial CPC Committee, the ANHUI CONGREN BAO [ANHUI WORKERS JOURNAL] will be inaugurated on 5 April. An organ of the provincial trade union council, it will follow the guidance of Marxism-Leninism-Mao Zedong Thought and focus on economic construction. It will reflect the new ideas, habits, and experiences of the working class in our province in promoting the four modernizations' drive, safeguard the proper interests and democratic rights of the workers and staff members, and encourage them to strive to accomplish the general tasks and attain the general goal set by the party. [Summary] [Hefei Anhui Provincial Service in Mandarin 1100 GMT 5 Feb 85 OW]

INCOME INCREASE--Lhasa, 8 Feb (XINHUA)--Per capita income averaged 300 yuan (rmb) in 1984 for Tibetan peasants and herdsmen, up 39 percent over 1983. The increase, achieved following droughts lasting from 1981 through to 1983, was something "never expected," said Yin Fatang, first secretary of the Tibet Autonomous Regional Communist Party Committee. Speaking at a regional conference yesterday, he attributed the 1984 success to the new policy of allowing collective land to be farmed and draught and other domestic animals owned by individual households. Tibetans have been assured that this will be a long-term policy. The region harvested nearly 500,000 tons of grain last year, compared to 365,000 tons in 1983. Weather became friendly last year, Yin said. A selected number of peasants and herdsmen will be commended at the conference for going ahead of others in achieving prosperity through honest labor. [Text] [Beijing XINHUA in English 1138 GMT 8 Feb 85]

YUNNAN ECONOMIC RESULTS--Enterprises in Yunnan achieved notable economic results last year. Production and sales were balanced and grew in tandem. Industrial production rose by 11.6 percent, while income from sales rose by 13 percent and profits rose by 25.9 percent. The amount of profits, income tax, and sales tax handed over to the state rose by 26.7 percent. Total value of industrial output exceeded the plan by 9.5 percent. [Summary] [Kunming Yunnan Provincial Service in Mandarin 2300 GMT 8 Feb 85 HK]

FUJIAN RETAIL SALES--The total value of retail sales of consumer goods in Fujian Province reached more than 7.8 billion yuan in 1984, increasing by 17 percent over that of the previous year. The total quantity of eggs sold in urban and rural areas increased by 39.5 percent over that of the previous year. Consumption of dairy products and beer and purchases of higher-quality clothing increased last year. [Summary] [Fuzhou Fujian Provincial Service in Mandarin 1130 GMT 17 Jan 85 OW]

HEILONGJIANG COMMERCIAL WORK--According to statistics, at the end of 1984, commercial departments in Heilongjiang Province had sold 7.05 billion yuan of commodities, an increase of 5.2 percent over 1983, realized 102 million yuan of profit, an increase of 14 percent, and turned over to the state 154 million yuan of profit and tax, an increase of 13 percent. A total of 55 trade centers opened in 34 cities and counties of the province, and in Harbin, Qiqihar, Mudanjiang, and Jiamusi cities, second- and third-level wholesale stations were incorporated. [Excerpts] [Harbin HEILONGJIANG RIBAO in Chinese 15 Jan 85 p 1 SK]

CSO: 4006/373

5 March 1985

## ECONOMIC DEVELOPMENT ZONES

## JINGJI GUANLI ON STRATEGY FOR DEVELOPING SHANGHAI ECONOMY

HK110911 Beijing JINGJI GUANLI in Chinese No 12, 5 Dec 84 pp 12-16

[Article by Jiang Yiwei [5572 0001 5517]: "Views on the Strategy for Economic Development in Shanghai"]

[Text] This article is the speech given by Comrade Jiang Yiwei at a symposium on the strategy for the battle of economic development in Shanghai. In order to publish it as an article, the writer has made some revisions. The problems expounded on in this article are related to Shanghai municipality, but some of the opinions put forth by him on the questions of what is strategy, how are we to formulate strategic goals and measures, and how we are to make a beginning are to some extent significant in probing into the strategic problems in developing other areas. For example, the ideas that a strategy is different from a program or plan, that fixing a strategic goal is mainly a qualitative decision, that quantitative decisions should be subordinate to qualitative decisions, that we should not regard quadrupling as our goal and so on.

1. What Should Shanghai's Role in the Four Modernizations of Our Country Be?

What is a strategy for economic development? In my opinion, a strategy differs from a program or a plan. Now, many provinces and cities are discussing their strategies. There seems to be a certain pattern in them; for they all regard quadrupling by the year 2000 as their goal and then put forth diverse kinds of concrete problems related to their economic development and then formulate a series of policies to solve these problems and fix very detailed quantitative targets. I very much doubt whether this is necessary for the strategy for the development of an area.

I think that a strategy should be a key outline, which is used to guide the formulation of long-term development programs, which in turn is the basis for the formulation of short-term plans. In order to study our strategy, we should of course do a lot of investigation and study and carry out repeated reasoning. However, the strategy as the final outcome of the study may be

brief and to the point and consist of only a few key principles for guiding our economic development for a fairly long period to come.

A strategic policy decision is mainly shown in making an optimal choice on the economic sectors to be developed or not to be developed and the order of priority in our economic development rather than in formulating the methods for solving a large number of concrete problems. The formulation of the methods is the task for formulating programs or plans.

In formulating a strategy, we should of course establish a strategic goal. Should this goal be quantitatively decided? There is an advantage in formulating the strategic goal for the whole nation in the manner of fixing it as a target for quadrupling our gross industrial and agricultural output value by the end of this century, because this gives the people all over our country a definite idea of the prospects of development. However, does this mean that every department and area should regard quadrupling as its strategic goal? If all sectors and departments develop at the same speed and quadruple synchronously, then there will be no need for us to readjust our economic structure. I think that formulating a strategic goal is, in the main, a qualitative decision and quantitative decisions can be made during the formulation of programs and plans. The nature will not be changed, but the quantity can be changed and appropriately readjusted.

According to the above-mentioned superficial idea, I think that in studying the strategy for the economic and social development of Shanghai, we should first answer a question: What role should Shanghai play in fulfilling our country's great historic task of four modernizations in light of Shanghai's characteristics?

Shanghai is our country's largest economic center and a city with the most highly developed science, technology, culture and industry. Shanghai is not a city that belongs to itself alone, but is a city which belongs to the whole country. In other words, in considering the problem related to Shanghai's position and role, we should start from the plane of the whole country.

Shanghai has great strength and potential and should make a greater contribution to the whole country. We should confirm this view. The question is what contribution it should make. Should it produce more products for the whole country? Should it create more output value? Or should it pay more tax and deliver more profits to the state? If these kinds of contributions are what we mean by the greater contribution that Shanghai has to make, then in fact, we regard Shanghai as a place similar to other areas and what we demand from it is greater quantities rather than anything that is qualitatively special for Shanghai. This cannot really give play to Shanghai's advantages and role.

A leader of the CPC Central Committee has pointed out: "Shanghai must give full play to its role as a port and a central city, give play to its functions as an economic, scientific and technological, and cultural base and be a pioneer in exploring the way for the four modernizations of the whole

country." The phrase "a pioneer in exploring the way" clearly points out Shanghai's role in the four modernizations of the whole country. This should be the general goal of the strategy for the economic development in Shanghai and all the work should be centered on this general goal.

Once the strategic goal is fixed, everything should be subordinate to this goal. The increase in output value should also be subordinate to this goal. It is of course good to be able to quadruple the output value and even better to be able to increase it by seven times. But we should not let the secondary target supersede the primary one. If the quadrupling needs excessive efforts and thus hinders the realization of the general goal, we should rather have a target of a smaller growth rate.

## 2. Shanghai's Characteristics and Special Functions

Shanghai is a central city and should play the role of an economic center. Comrade Zhao Ziyang points out: "Our country's cities have laid one-sided stress on the development of industry and neglected the development of their 'tertiary industry'; thus the comprehensive functions of these cities as economic centers have greatly been weakened." What he said here was about all cities, so of course Shanghai can be no exception. It should develop its tertiary industry and give play to its multifunctional role. However, when we study Shanghai's role, we should also pay attention to its characteristics and special functions. From a historical and geographical point of view, it has many characteristics. Perhaps the following are its five major characteristics:

First, it is a port city;

Second, it is the most economically developed city in our country and has a relatively strong material foundation;

Third, it has a relatively high level of science, technology, and culture;

Fourth, it has a long tradition and rich experience in conducting commodity economic activities; and

Fifth, it has a small area of land for a large population and lacks material resources.

According to the above-mentioned characteristics, as an economic center, Shanghai should have its special functions in addition to the common functions of central cities.

Every central city as the economic center of a certain area should have a radial network of horizontal relations for its outward economic development. The greater the city's economic strength, the larger the area covered by its network. Since Shanghai is the greatest economic center and a port city, it is characterized by two fan-shaped areas of radiation: the first is a fan-shaped area of radiation to the outside world and the second is a fan-shaped area of radiation to the hinterland. It is situated in the point of intersection of these two areas.



In order to speed up the process of the four modernizations, we have opened up to the outside world. Both Shanghai's historical and geographical conditions determine that it is the most important gateway for our country in opening up to the outside world. In opening up to the outside world, Shanghai should not merely take into consideration the question of how it is to develop its own external economic and technological exchange, but should play a role as a gateway of external exchange for the realization of the four modernizations of the whole country. This is one of Shanghai's special functions.

Furthermore, Shanghai should open up to the hinterland. Shanghai is the most economically developed city in our country and it ranks first in the whole country in economic strength, science, technology and other aspects. It is provided with the conditions and has the duty to play a role in helping the hinterland to realize the four modernizations. This is another special function for Shanghai.

As a point of intersection of the two fan-shaped areas of radiation, Shanghai should combine the above-mentioned two kinds of special functions. To be more concrete, in the field of production technology, Shanghai should not only pass on to the hinterland the advanced technology it has already acquired, but should also follow the path of "introducing technology from abroad and passing it on to the hinterland" and thus vigorously introduce advanced technology from abroad and pass it on to the hinterland after it has digested and assimilated it.

As the greatest economic center and the largest city opened up to the outside world in the whole country, Shanghai must give full play to its role in carrying out internal and external exchange. Only by so doing can it really play the pioneering role for the four modernizations of the whole country. Of course, the support that it gives to the hinterland should not be given gratis. It should be given under the conditions of equality and mutual benefit and should promote its own development as well as the development of the economies and technology of the hinterland.

Many specialists and scholars in the world have concluded that the economic center of the world will surely shift to the Asia-Pacific region. As our country's economic strength continues to grow, Shanghai will surely become an important fortress of the economic center of the future world if it can play to the full its role in "introducing technology from abroad and passing it on to the hinterland" and in "forcing its way into the world and combining with the hinterland." Shanghai should regard this as its long-term strategic goal.

### 3. "Going Upstairs" and "Going Outward" Are the Basic Strategic Measures for Shanghai

What strategic measures should we adopt in order to achieve the above-mentioned strategic goal? I think that these measures can be summed up in two phrases--"going upstairs" and "going outward."

"Going upstairs" means "going to a higher floor."

Shanghai should upgrade its industries and develop rising industries. Does developing rising industries such as information industry call for eliminating traditional industries? The development of information and other rising industries cannot do harm, rather it is like adding wings to a tiger for traditional industries. It is of no use if we have only wings but no tiger. For some countries such as Japan, it is possible to specialize in conducting rising industries and letting other areas undertake the tasks of conducting traditional industries. But, this has been a very long process of economic development. From the point of view of the current situation, the most important tasks are to upgrade the technology of our traditional industries and to upgrade our various kinds of products. In other words, Shanghai should strive to "go upstairs" one floor above the other and pass on what is downstairs to the hinterland.

"Going outward" means that Shanghai should develop--abroad and in the hinterland.

Shanghai has a small area of land for its large population and lacks resources. It cannot develop itself if it restricts the scope of its activities within its own boundary. "Business prospers through connections with all areas in the world and sources of wealth abound through carrying out business activities in the areas of the three rivers." Shanghai people must go outside of Shanghai to give play to Shanghai's role.

In areas abroad, it can export its labor service to undertake contracted responsibility for building factories in the Third World including providing them with full sets of equipment. In introducing technology from abroad, it is not always necessary to invite foreigners to Shanghai and Shanghai can establish joint venture enterprises abroad if conditions allow. This will better facilitate grasping the technology. In order to market its products and introduce equipment and technology, it should set up bases abroad or send people to stay abroad. Only by so doing can it train personnel in the international market and grasp intelligence and information.

It should also go to the hinterland. In addition to setting up joint venture enterprises with the hinterland areas, it can also set up factories and stores of its own or branch factories or stores in the hinterland or move its existing enterprises there. It can also undertake contracted responsibility for building factories for the hinterland and providing them with full sets of equipment and the contracted all-round responsibility for teaching them production and management techniques.

Comrade Zhao Ziyang said: "The functions of a city as an economic center differ from the functions of the city's government." When we say that a central city establishes horizontal economic relations with outside areas in the manner of radiation, we mean that this kind of radiation is achieved by each of the enterprises in the city. Every enterprise with superior strength is like the head of a dragon and the tail of the dragon can be stretched to various areas. Such an enterprise can set up branch factories

and companies in various areas like the Guanshenyuan Company in old Shanghai which set up its branches in various areas. The reason why a city is an economic center is because it has many central enterprises which are heads of the dragons in this city. The larger the number of heads of dragons, the greater the functions of this city as a center.

"Shanghai people are not willing to leave Shanghai." This is a phenomenon caused by the old system. It is worth discussing whether it is necessary to control population movement between cities. If a person is not allowed to return to a city once he leaves it, no one is willing to leave and the population will soar if there is only entry and no exit. As our economic structural reform develops, we must solve the problem related to the free movement of population between cities. Now, problems related to grain food supply have already been solved and we can adopt some provisional methods such as allowing those who leave to retain their residence registration in the city from which they leave, paying them subsidies, or allowing them to get double wage payments like those who work abroad. I do not believe that no one is willing to "start a career" in outside areas.

"Outside areas do not welcome Shanghai people." No, this is not a fact. As long as the principle of equality and mutual benefit is implemented, they will welcome Shanghai people.

In short, the whole country should make full use of Shanghai while Shanghai should regard the whole country and even the Pacific region and the whole world as its areas of activity. It should be good at carrying out its activities, but it should not restrict its activities to such a small place as Shanghai and should carry out its activities in the whole country and the whole world.

The Chinese nation has always been a nation that is good at doing business. Without the support of their motherland, the 20 million Overseas Chinese have been able to maintain footholds in various areas in the world and have even become the economic leading force in some countries. Hong Kong's industries have been developed by relying on Shanghai natives. It is a matter of pride for the Chinese that China has such a large city as Shanghai which is well known the world over. The movement to the east of the world economic center in the future depends decisively on the rise of China. A market with a population of 1 billion people, the great strength of 1 billion liberated people, and in addition, the rich material resources of a vast territory constitute a foundation for the economic center of the world in future. The line that links our coastal cities with Hong Kong and Shanghai as its two major centers will be a border line for the economic exchange between the tremendously great economic strength of China and the economy of the world. This prospect could become a reality in the not too distant future.

#### 4. We Should Undo the Huge Lock That Fetters the Dragon

A journey of 10,000 li begins from the starting point. However beautiful the future prospects, they are after all only a possibility. No matter how satisfactory the strategic goal and measures that we have formulated, if we

cannot take the first step forward, all these goals and measures will only exist on paper. At present, the key to taking the first step forward is to carry out the structural reform. Shanghai is like a dragon. In order to fill this dragon with vitality and enable it to fly, we must undo the lock that fetters the dragon.

If no structural reform is carried out, it will be extremely difficult for Shanghai to make any progress in going further upstairs and going outside to all areas of the world.

It is heartening that we can already see some results of the economic structural reform after 5 years of practice. Urban reforms will be a key link in our economic work in the future. In order to be a pioneer for the four modernizations of the whole country, Shanghai must first be a pioneer in carrying out structural reforms.

In 1979, I came to Shanghai to take part in formulating reform plans for three enterprises where experiments were being made. As far back as at that time, I held that Shanghai would surely become an advanced city in the reform. The reason for this was very simple. In the final analysis, the aim of our reform is to develop socialist commodity economy which is also called planned commodity economy. One of Shanghai's characteristics is its rich tradition and experience in conducting commodity economic activities. People say that Shanghai people are clever and that is where their cleverness lies. However, though Shanghai has scored some major achievements in the reforms during the past few years it has failed to become a pioneer for the whole country. What are the major subjective and objective causes for this? This is worth studying and analyzing. Our situation today and our tasks in the future both demand that Shanghai achieve a major breakthrough in its reforms.

I am of the opinion that in our urban reform we should mainly solve the problems related to five relationships. In order to implement the strategic measures of "going upstairs" and "going outward," Shanghai must take an even greater step forward in solving these five problems.

First, it should solve the problem concerning the relationship between governments and enterprises. Invigorating our enterprises is the key link in our urban reform. We must emancipate our enterprises and enable each of our enterprises to become a dragon that is competent to carry out its activities all over the country and the world.

The key to "emancipating" enterprises is to separate government administration from enterprise management and decentralize power. This principle has already been confirmed, but we have to investigate the concrete way to implement it. Now a problem has cropped up in many areas: Who should be granted the decisionmaking power? Of course, the answer is the enterprises. But there is another question: What is an enterprise? During the past few years, the various departments and areas have set up many companies and some of them have turned administrative organizations into companies. These companies have been formed by administrative orders and have taken over the

enterprises that were previously under the organizations in the companies. As a result, the decisionmaking power of the enterprises has been weakened rather than expanded. In order to invigorate our enterprises, we should actually grant the enterprises the 10 aspects of decisionmaking power according to the decision on further granting decisionmaking power promulgated by the State Council. I think that the first thing to do is to adhere to the regulation on protecting competition and promoting combination promulgated by the State Council in 1980. In reorganizing and combining enterprises, we should adhere to the principle of voluntary participation and grant our enterprises the power to determine for themselves whether they will join or withdraw from companies. In expanding the decisionmaking power of our enterprises, the decisionmaking power to combine with others at will is a most important decisionmaking power. When our enterprises have this decisionmaking power, they will certainly combine with one another on their own in various forms urged by the force of the objective economic law. Our government organs have been used to being "parent officials" over enterprises and regarding enterprises as their children. They have a great fear about the enterprises' ability to operate independently. If this traditional habit is not changed, it will be impossible to invigorate our enterprises.

Second, it should solve the problem concerning the relationships in distributing interests. There are three problems: 1) The problem concerning the relationships between the interests of the central and local governments. The second step of the substitution of tax for profit delivery has not thoroughly solved the problem related to the distribution of tax revenue between the central and local governments. For a city like Shanghai which urgently needs to carry out reforms and which should moreover upgrade itself, besides giving Shanghai preferential treatment for its investment, the central authorities have to consider whether it is necessary to assign it the contracted responsibility for a fixed amount of tax revenue to be handed over to the state or for an amount of such tax revenue that is to be increased at a fixed rate every year. By so doing the city will have greater room for making efforts to increase its activities. 2) The problem related to the interests of enterprises. The key problem to solve is the problem related to the source of funds for the technological transformation of our enterprises. Now the central authorities have already made clear that the investment in fixed assets during the "seventh 5-year" plan period will be focused on transformation in the existing enterprises. The problem is whether the enterprises have to wait for an allocation by the government in obtaining their transformation funds or whether they should be given the power to develop on their own. Our experiences have proved that better results will be achieved if we let enterprises rely on their retained funds to carry out general transformation and thus develop on their own. 3) The problem related to the interests of staff and workers. The principle now has already been made clear that there should be neither a ceiling nor a base limit for bonus payment. However, the methods that are adopted now are in fact to have a "soft ceiling" for bonus payment. We must implement ahead of schedule the system of making the total amount allowed for wage and bonus payment fluctuate along with the change in economic results, a system which embodies distribution according to labor at two levels.

Unless we do that, it will be impossible for us to really break the malpractice of "eating out of the same big pot" at two levels.

Third, we should solve the problem concerning horizontal economic relations. One of our purposes in bringing the role of central cities into play is to break the barriers between departments and areas at all levels in order to develop horizontal economic relations in production and circulation. In this respect, we should solve quite a few problems related to our systems. If we want Shanghai enterprises to go out of Shanghai and pursue development elsewhere, there is an outstanding question of how to calculate their output value and how to distribute their profits and taxes.

With regard to the problem related to targets of output value for the evaluation of our enterprises, after we separate government administration from enterprise management, our enterprises will have the decisionmaking power in their management and may organize transregional combines or set up branch factories and branch companies in outside areas. Is it necessary for us to set other targets of evaluation? It is a problem which merits looking into once more. After our planning is divided into two parts, mandatory plans and guidance plans, if we insist on having evaluation targets, we can only evaluate their fulfillment of mandatory tasks and moreover, we may consider evaluating them in the light of 5-year plans rather than by annual targets. Departing from the planned annual targets will be allowed, but a general evaluation will be made every 5 years. Thus, our cities will have greater initiative in their hands.

Fourth, we should solve the problem concerning horizontal economic administration. When horizontal relations have developed in our economy and when the barriers between departments and areas have been broken down, we will certainly break away from the previous system of administering our enterprises and economy in line with the system of administrative jurisdiction. The question of how to set up a new management system becomes a major issue in the current practice of streamlining our administration and transferring power to lower levels. The outstanding problems in it are: 1) The problem concerning the relationship between trade administration and government departments responsible for administration. It is necessary for us to conscientiously study the question of how to give play to the role of our trade associations. Shanghai should play a pioneering role in conducting reforms. We hope that we can carry out some experiments in this respect. 2) The problem concerning the application of the regulatory levers. The reform of our planning system will expand the scope of guidance plans. We mainly rely on the regulation of our economic levers to promote the fulfillment of mandatory plans. The problem now is that we are not good at application and even less at applying various regulatory levers in an all-round manner. It is imperative for us to have an organ to play the role of regulating our economy. This is also a problem for us to look into in streamlining our administration and transferring power to lower levels. We also hope that Shanghai can chart a way out in this area.

Fifth, we should solve the problem concerning the relationship between internal and external affairs. Since Shanghai's important functions are to

"force its way into world markets and establish internal links," and to "introduce technology from abroad and to pass it on to the hinterland," we should implement special policies and flexible measures for Shanghai and give it an overall decisionmaking power in handling external affairs. Without this, it is impossible for Shanghai to bring into play its special functions.

Our urban reforms are very complicated and have a wide involvement, but we should basically solve the above-mentioned problems of five relationships. Of course, these problems cannot be solved by Shanghai alone. It is imperative for the CPC Central Committee to apply special policies in Shanghai, after the special position and the special functions of Shanghai are determined. However, this does not mean that Shanghai can do nothing itself. With the current policies and with the general and special policies on urban reforms which will be decided immediately, Shanghai may practice bravely and should first invigorate its enterprises as far as possible. The CPC Central Committee has implemented special policies in Shanghai, it is also imperative for Shanghai to put forward its own proposals. But from the viewpoint of Shanghai itself, there are external and internal causes. It should mainly bring its subjective dynamic role into play. If it merely pursues steadiness and is afraid of disorder and if it implements the principle of "looking around first, waiting for chances, and then taking actions," it will be impossible for Shanghai to march in the forefront of reforms.

Shanghai is a dragon which has quite great potentials to tap. Once the fetters of old systems and old habits are broken away, the dragon will dance in the air. I hope that the various relevant departments will not repeat the story of "Ye Gong Loves Dragons," but will let this dragon take off and soar straight up into the sky.

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## ECONOMIC DEVELOPMENT ZONES

### DALIAN'S ECONOMIC, TECHNICAL DEVELOPMENT ZONE PLANS

Beijing GUOJI MAOYI [INTERTRADE] in Chinese No 8, 27 Aug 84 pp 17-18

[Article by Wei Fuhai [7614 1381 3189], mayor of Dalian: "Plans and Ideas for Running Dalian's Economic and Technical Development Zone"]

[Text] In March of this year, the Coastal Cities Conference jointly held by the CPC Central Committee Secretariat and the State Council determined that 14 coastal cities, including Dalian, should be further opened up, relaxed a few policies and caused these cities and their enterprises to strengthen their vitality for developing foreign trade activity. The conference also pointed out that Dalian is the main port city for China's three northeastern provinces, and in setting out by giving full play to the role of the old industrial base in the northeast, Dalian through a few specific policies, can open up even more. Reverberations were felt throughout the country after this news was announced.

Currently, at the same time that we are paying attention to technological transformations of old enterprises, we are actively starting to make preparations for the construction of Dalian's economic and technical development zone. We have already organized leading organizations, construction companies and economic and technical development companies.

I. Our preliminary plans are for establishing the Dalian economic and technical development zone 30 km northeast of the center of the city in the town of Maqiaozi in Dagushan Township in Jin County, very close to the Dayao Bay new harbor which we plan to develop. We designated an area with clear boundaries and opened up a comprehensive economic and technical development zone with a large port as a basis and with industry as its principle part. We will run Sino-foreign ventures and cooperative-venture enterprises as well as independent foreign capital ventures, establish S&T development organizations with Chinese and foreign cooperation, set up economic information centers and develop international entrepot trade. The development zone will use 50 sq km of land, and will also expand appropriately as the need develops. This area faces the sea to the south, borders the mountains to the north, has convenient transportation, is well situated and is suited to development and construction. The first phase of construction will be carried out on a 5 sq km district, and of this, 3 sq km will serve as the economic and technical zone and 2 sq km will be used to build a seaside scenic area,



a public place for culture and recreation, public apartment houses and villas, commercial service facilities, etc. The first stage of construction is planned to start in August, and we will strive to complete within 1 year the "preparation of the infrastructure for construction." (i.e, bring in water, roads, power, gas, communications, heat, sewage and site leveling). At the same time we will build a standard factory.

The Dalian economic and technical development zone must build a group of light industrial enterprises that consume little energy, do not pollute or pollute very little and that are knowledge-and-technology-intensive. We should mainly develop such industries as electronics, meters, precision machinery, precision alloys, new materials, fine chemicals, and food and beverages. We should import the technology we need as well as hot-selling items on the international market, and should engage in technological transformation projects that are both in short supply and beneficial to our country and especially the northeastern region. Heavy industrial enterprises that are imported will mainly be placed in the old industrial regions.

Dalian's economic and technical development zone actively attracts the funds and advanced technology of overseas Chinese, compatriots from Hong Kong, Macao and Singapore as well as every nation and region. Based on China's relevant regulations, the authority to examine and approve projects which use foreign capital in economic and technical development zones can be exercised the same as in special economic zones [SEZ]. Foreign businessmen who invest in development zones benefit from preferential treatment: the income tax rate of production enterprises run by Sino-foreign joint ventures and cooperative-venture enterprises as well as wholly-owned foreign ventures is reduced to and levied at 15 percent, and all legitimate profits earned by foreign businesses is exempt from a foreign exchange tax when it is converted to foreign exchange. The preferential treatment and management methods of SEZs are also exercised for imports of building materials, production equipment and raw and processed materials that enterprises of the development zones use themselves as well as for the export and domestic sales of products. China will provide a part of the market for any products coming under the category of advanced technology and equipment that foreign entrepreneurs have truly provided, and China will allow these products to be sold in China according to a certain proportion. China will reduce the formalities and convenience of entering and leaving the country by any foreign nationality, overseas Chinese and compatriot from Hong Kong, Macao and Taiwan who have contacts with the development zones.

II. Dalian's industrial base is fairly good, and this is an extremely favorable condition for its implementation of the open door policy. However, Dalian has many old enterprises, lots of old equipment, the level of products is not high and the energy utilization ratio is low. Thus, when using foreign funds and advanced technology, Dalian must first pay attention to the technological transformation of old enterprises.

Dalian uses foreign capital and imports advanced technology to transform old enterprises, and its goal is to raise the quality of products, increase varieties, reduce consumption and improve economic results. Dalian upholds

the principle of "start out with medium and small goals and strive for large goals," and upholds making the key points of the transformation of industry, enterprises and products stand out. We must run a group of small and medium projects that play an important role in China's four modernizations, that use a small amount of funds, have a quick turnover and yield good results. At the same time, we must choose really advanced foreign technology, and after importing this technology we can promote industrywide technological transformations. We must also choose products that can open up foreign sales markets and replace imports, and development projects that use a fairly large amount of investment.

The state has passed many preferential policies for the transformation of old enterprises and for foreign investors. The authority for examining and approving Dalian's construction projects that use foreign capital has been relaxed to under \$10 million, and the state's limit of foreign exchange that Dalian uses has increased to \$100 million, and the state has appropriately increased the Bank of China's foreign exchange loans. The import of key equipment, instruments and meters and other materials needed for technological transformations and are in short supply in the country, no matter what the source of the foreign exchange is, will be duty free before 1990, and industrial and commercial taxes will be uniform. Any Sino-foreign joint ventures, cooperative-venture enterprises as well as independent foreign capital ventures that are run in the old city district and that can be categorized as technology-intensive or knowledge-intensive projects, or any foreign entrepreneur that invests more than \$30 million and has a project with long-term investment, after receiving the permission of the Ministry of Finance, can also have his income tax reduced and levied at a 15 percent tax rate. This type of production enterprise acts as investment in the import of production and management of equipment, building materials and raw and processed materials. The investment of foreign entrepreneurs and foreign technical personnel in the import of household goods and communications tools (limited to a reasonable quantity) will all be duty free and industrial and commercial taxes on imports will be unified. The products of these enterprises will be exported duty free and the industrial and commercial taxes of commercial links will be unified. At the same time, China will also afford them a part of the domestic market and will allow their products to be sold domestically according to a certain proportion.

III. In order to provide foreign entrepreneurs with the necessary material conditions and with a fairly good living environment, we have paid attention to the construction of the industrial base. The civil aviation airport is being expanded: construction started in April 1984, and by the end of the year the runway--the principle part of the project--will be completed, large passenger planes, including the Boeing 747, will be able to take off and land, and the airport will possess international communications equipment. Post and communications facilities are being improved, and construction will be completed on a 960-channel microwave communications project and a 330-channel coaxial telephone cable project from Luoyang to Dalian which will be ready to use this year. We are currently paying close attention to negotiations with foreign entrepreneurs concerning the import of programmed

switches. The supply of energy is gradually improving, and construction of the Heshangdao Wharf project which will provide 5 million tons of coal per year will start this year.

Construction of the 600,000 KW harbor power station is being planned, 220,000-volt high voltage electric power lines are being built and 500,000-volt high voltage circuits are actively being planned. Dalian's Biliu He reservoir was stopped up and began to store water in September of last year, and the first stage of construction for leading the river into Dalian has already been completed. Dalian's long-standing difficulty of water being in short supply has been solved. The Shenyang to Dalian highway is undergoing repairs. We are building, expanding and renovating hotels which accept foreign guests, and we are paying close attention to the construction of tourist and recreation facilities. Foreign visitors who come to Dalian will receive the necessary assurance of their board and lodging conditions. The state approved in April of this year Dalian's step up from a second-category city to a first-category open city. Dalian's visa procedures were eliminated for foreign visitors coming to the city and the foreign visitors were inconvenienced.

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## ECONOMIC DEVELOPMENT ZONES

### TEN ADVANTAGES OF COASTAL CITIES LISTED

Beijing GUOJI MAOYI [INTERTRADE] in Chinese No 10, 27 Oct 84 pp 30-32

[Article by Zhou Chuan [6650 1557]: "The 10 Great Advantages of China's Open Coastal Cities"]

[Text] After China's decision to open up 14 coastal cities further was announced, it caught the attention of all of the nations of the world. In carrying out the open-door policy in the coastal belt from the north to the south, we are relying on all our advantages, actively using foreign capital, importing advanced technology, equipment and management experience and expanding international economic technical exchanges so as to accelerate China's socialist modernization and construction and to realize the glorious goal of quadrupling gross annual national industrial and agricultural output by the year 2000. These open coastal cities, on the basis of their geographic position, natural resources and economic foundations as well as technical management, all possess outstanding conditions and advantages, and we can sum up these advantages in the following 10 points.

1. They have convenient transportation facilities. These open cities are joined by roads in every direction and are closely linked by a network of railroads, and the seaways are even more convenient. Not only are China's cities linked up, but these cities have access to all of the major ports in the world. Dalian, which is the furthest north, has links with the ports of many African and American countries, and Beihai, the southern-most port, has 85 shipping lines and trade contacts with 132 ports in 67 nations and regions. Aviation is also convenient, and there are links with major domestic and foreign cities. A few cities are in the process of stepping up the construction of aviation, communications and other facilities so as to suit the needs of foreign economic development.

2. They have foreign trade centers. The country's large ports and foreign trade ports are equally concentrated in the 14 open cities. In 1983, the volume of freight handled totaled 256 million tons, or 97 percent of the freight handled by the entire country's harbors. The volume of freight transported by land and water totaled 496 million tons, or 19.3 percent of all the freight transported in the country. Most of the 14 open cities have been key trading posts from early on in China's history. China's largest port--Shanghai--currently has 96 berths, 45 of which are in the 10,000-ton class and above,

and wharves are a total of 13.5 km long and have modern equipment. In 1983 the harbor handled 91.9 million tons of freight, or 35 percent of the freight handled by all the nation's harbors. Shanghai has already established trade contacts with 166 nations and regions, and last year the city's foreign trade exports totaled 3.65 billion yuan. Guangzhou, a famous trading port as early as the Qin and Han Dynasties, has presently become China's southern center for foreign trade. It has 15 berths above the 10,000-ton class, including 20,000-ton specialized container docks. Each year it handles 25.08 million tons of freight, and 24,00-ton ships can sail in and out of the harbor. China's export commodities trade fair is held here every year in the spring and fall, and with HongKong and Macao as neighbors, foreign economic activity is fairly brisk; Guangzhou has already established trade relations with more than 5,000 foreign businessmen from 133 countries and regions. In order to suit the needs of foreign economic development, the city has 370 hotels and inns, and this includes China's renowned Dongfang Hotel, Baitaine Hotel, Guangzhou Hotel, Baiyun Hotel and Liuhua Hotel as well as the soon-to-be-completed China Hotel.

3. Their industrial base is good. In 1983, the 14 cities had 78.75 million people, or 7.7 percent of the country's population. They had 55.5 billion yuan in fixed industrial assets, or 12 percent of the nation's industrial fixed assets. Their gross industrial output totaled 142.5 billion yuan, nearly one-quarter of the nation's gross industrial output. See the chart below for details.

14 cities	Total Population	Population in City Alone	Fixed Assets	Industrial Value
	(10,000 people)	(10,000 people)	(100 million yuan)	(100 million yuan)
Total	7,875.3	1,800.2	554.6	1,425.4
Dalian	476.8	127.5	51.4	84.3
Qinhuangdao	223.0	27.3	8.7	8.9
Tianjin	785.3	400.9	115.1	229.2
Yantai	810.9	29.0	15.5	46.6
Qingdao	620.4	110.7	32.6	77.6
Lianyungang	292.4	25.7	6.3	13.5
Nantong	741.3	24.4	12.8	60.1
Shanghai	1,194.0	632.1	235.0	678.6
Ningbo	481.5	34.8	7.5	52.2
Wenzhou	611.5	35.6	4.8	18.1
Fuzhou	474.9	72.7	60.6	26.0
Guangzhou	683.9	242.1	48.5	118.7
Zhanjiang	462.7	29.8	5.1	10.2
Beihai	16.7	7.6	0.8	1.4

Industry is developing very quickly in these cities, they have every kind of enterprise, the level of enterprise management and technology is high and they are capable of attracting and studying advanced technology. Many industrial

businesses hold a great proportion in the country as a whole and they enjoy a good reputation in international circles. For example, Tianjin's modern industry has more than 120 years of history, and it currently has 154 industries such as petrochemicals, ocean chemicals, machinery, electronics, metallurgy, automobiles, instruments and meters, medicine, construction materials, household electric appliances, bicycles, sewing machines, textiles, paper, glass and apparel. Currently there are more than 4,400 industrial enterprises, and in 1983 their industrial output totaled 22.9 billion yuan, second only to Shanghai and the second highest in the country.

4. They have strong scientific research forces. The educational institutions of these cities are fairly advanced: they have 136 institutes of higher learning, 348 secondary technical schools and more than 800,000 technical personnel in the natural sciences, or approximately 12 percent of the nation's total. They possess outstanding conditions for training personnel, developing intelligence and developing advanced technology, and this is a key place for promoting the soaring economy. For example, Shanghai currently has 48 technical institutes, more than 770 scientific research organizations and 322,000 research personnel in the natural sciences. Tianjin's cultural and educational institutions have always been fairly advanced: it currently has 28 institutes of higher learning, 53 technical secondary schools and 167,000 research personnel in the natural sciences. Not only is Guangzhou the center of trade, but it is also the center of scientific education. The city has 20 institutes of higher learning, 85 secondary technical schools and Jinan University, which is famous at home and abroad and is a comprehensive multi-discipline university. It primarily enrolls overseas Chinese students, Hong Kong and Macao students and native Taiwan students, and at the same time it enrolls a number of domestic students. This will play an ever-increasing role toward promoting the development of foreign trade in the coastal cities.

5. Economic results are fairly high. In the 14 cities in 1983, 46.1 yuan in taxes were paid for every 100 yuan earned, nearly double the national rate. Worker productivity was 21,742 yuan, or 66.7 percent higher than the national average. The development of each city was not balanced, and Shanghai's economic results were the best. It always ranks first in the nation, and in 1983 this city realized 13 billion yuan in tax revenue and paid 65.6 yuan in taxes for every 100 yuan earned. The high economic results reflect the fairly high level of production technology and the scientific level of management and administration. Foreigners also feel that China has great economic potential; for every 1 percent that the tax rate rises, China can increase its revenue by more than 4 billion yuan. Thus, the practice of simplifying government and delegating authority allows these cities to take a first step, give full play to their advantages and get a handle on the economy as quickly as possible, then afterwards allows them to import from abroad and unify domestically in such areas as attracting advanced technology, spreading scientific management experience, disseminating economic news and training and providing talented personnel and to support and spur on the construction of the interior of the country so as to promote the rapid rise of the economy.

6. The natural conditions for agricultural production are good. These open cities are situated on the coast, and there are moderate rainfall, ample



sunlight and a long period without frost; this is all extremely beneficial for developing agricultural production. The correct rural economic policies of the CPC Central Committee have caused an especially rapid development of agricultural production in the suburbs of these cities, and every year the suburbs provide the cities with a large quantity of farm produce and sideline products. Since 1970, Ningbo's average yield of grain per mu has continually exceeded 1,000 jin. In 1983, it produced 3.33 billion jin of grain, 127 million jin of oil crops, 9.22 million jin of beef, and pork, the three types of poultry, and vegetables all increased greatly. In 1983, Guangzhou produced 3.8 billion jin of grain, 158 million jin of pork, 29 million jin of beef, 50,000 tons of aquatic products and 1.52 billion jin of vegetables. Each of the coastal cities abounds equally in fruit, and they all have a great variety and high yield. For example, Yajtai's apples and Laiyang pears and Qinhuangdao's Changli grapes and Nandasi honey peaches are excellent, and the Guangdong and Guangxi area's outstanding fruits and vegetables include spinach, litchi, mandarin oranges, bananas, mangos, papaya, etc. Dalian has more than 100 varieties of apples, and last year its output of apples totaled 500,000 tons, or one-seventh of the nation's total output. In Fuzhou, the home of fruit and fragrant flowers, both banks of the Min Jiang teem with oranges, Chinese olives, longan, loquat, etc., and each year it produces 600,000 dan of fruit and more than 20,000 dan of jasmine tea, and these are hot-selling products both at home and abroad.

7. The aquatic product resources are abundant. The 14 open cities all have large stretches of water and shoals, they can both catch and raise aquatic products and the potential for development is great. Three sides of Dalian face the sea, its aquatic product resources are abundant and it produces more than 100 types of fish. Dalian also abounds in shrimp, crabs, shellfish, algae and sea cucumbers, abalone, scallops and other sea treasures, and in 1983 it produced 420,000 tons of aquatic products. Qingdao teems with prawns, fish and sea treasures that have a fairly high economic value and has a 500,000-mu shoal and an 800,000-mu stretch of sea that can be used to develop man-made breeding. Lianyungang's aquatic products have advantages, one of which is the Haizhou Bay, the nationally renowned fishery, and the other is the Jinhaiqian Sandao, a national sea treasure as well as prawn-producing area. The entire harbor has 300 square km of fresh water that can be developed and used. The Gulf of Tonkin is China's famous fishery. It is located in the subtropical zone, its water conditions are stable, the water is fertile and it is suitable for the reproduction of all types of marine biology. There are more than 500 types of salt-water fish and approximately 700,000 tons of sustained resources. There are also reptiles, cephalopods, mammals, etc., and of these, live shellfish, sea sea cucumbers, abalone, eels, slate cod croakers, shark's fins, oysters and other sea treasures as well as pearls enjoy a great reputation within the country. Beihai can provide a total of 36,000 mu of breeding shoals, but currently it uses only 7 percent, and there is great potential for developing pearls and other sea treasures.

8. The 14 cities have abundant mining resources. Many open cities have prospected for large quantities of mining resources, and there are impressive stores of energy resources, ferrous metals, non-ferrous metals, precious metals and building materials as well as nonmetals and other mining products. Satellite

forecast data have revealed that there are bright prospects for our petroleum reserves in the South China Sea. The South China Sea Western Petroleum Company's base has been established in Zhanjiang; there are currently more than 20 countries from 8 nations, and they have been organized into 8 bidding groups and have established an office in this city. It is estimated that after 1986 a group of oil and gas fields will one after the other enter into the commercial extraction stage, and Zhanjiang will become an important base for developing the petrochemical industry and for serving the livelihood of petroleum production in the South China Sea. Yantai can mine 37 products such as gold, copper, zinc, molybdenum, coal, graphite, talc and marble and produces nearly one-fourth of the nation's gold. Wenzhou has the nickname of the "vitriol capital of the world" and has more than 300 million tons of alunite reserves. the coastal region around Beihai is rich in quartz, pottery clay, ilmenite and other resources. It has approximately 20 million tons of quartz reserves and a series of open pits that are of a high grade and are easy to mine. It has been initially verified that Lianyungang has more than 40 types of construction materials, including approximately 400 million tons of serpentine reserves and more than 80 million tons of marble reserves and also has fairly large reserves of quartz and granite. This city provides outstanding conditions for the development of the building industry.

9. They have travel resorts. Most of these coastal cities are situated at the foot of mountains and, besides the sea, blue mountains and green water, beautiful scenery, delightful weather, scenic spots and historical sites can be found everywhere. Ningbo's Heyuwang Temple currently has Buddhist treasures that are "real Buddhist relics from Sakyamuni" and has China's oldest collection of rare books--currently, it has 300,000 volumes. Tiantong temple is one of the country's five great Buddhist monasteries, Baoguo Temple is the oldest, most complete rare wooden-built structure south of the Chang Jiang. There is also Putuoshan, one of the four great Buddhist shrines. Lianyungang has the only Stone Age ruins on China's eastern seaboard and has the Buddhist moya stone inscriptions on Kongwang Mountain that are even older than the Dunhuang frescoes. Yuntai Mountain still has a well-preserved and complete temperate-zone plant ecosystem and also has Huadongshan, Kongwang Rock and other unique scenic areas. Yantai has the Penglai Pavillion, the Weibei stone inscriptions, the Yuhuang Ding, Crescent Moon Bay, Liugong Island and other scenic spots and historic sites that are famous both at home and abroad. Wenzhou has preserved the Southern Sung's Tianwen Temple and has Yandangshan, which is a key national scenic preservation area: in this area is the famous waterfall-Dalongqiu. There is also a rare natural gas island which has a temperature of 59 degrees centigrade; this has a curative effect on dermatosis and neurasthenia. Qinhuangdao has the famous Beidaihe and the scenic "Yansaihu" and is the starting point of the Great Wall--Shanhaiguan. Qingdao, which possesses a unique building style, is not bitterly cold in the winter and not oppressively hot in the summer. Of its natural scenery, the Laoshan tourist area and the beaches are the most beautiful. The largest beach is more than 580 meters long and is broad, the sand is fine and soft and the beaches are an excellent place for swimming and sun bathing. Every year Qingdao receives large groups of Chinese and foreign tourists.

10. The 14 cities have ideal investment environments. First, China's political situation is stable, and from the city to the countryside people are living and



working in peace and contentment. The country's leaders are guiding 1 billion people to strive to accelerate socialist modernization and construction and for the great cause of a flourishing China. Second, the national economy has continued to develop steadily. In the 5 years from 1979 to 1983, gross annual industrial and agricultural output increased at an average rate of 7.9 percent per year. This year the national economy has continued to sustain its good momentum, there have been bountiful harvests of summer grain crops and early rice and it is anticipated that last year's increase will be exceeded by 1 billion jin. In the first 7 months of the year, industrial production increased 11.9 percent and import and export trade increased more than 20 percent. Third, we maintained the principle of equality and mutual benefit, and economic laws and regulations improved daily so as to safeguard the legitimate rights and interests of foreign investors. Fourth, we adopted a few special favorable policies for further opening up coastal cities, relaxed the jurisdiction for examining and approving construction projects using foreign capital and simplified the procedures for foreign businesses to enter and exit the country. We provided products with advanced technology and allowed a number of them to be sold on the domestic market. With regard to tax revenues and other areas, we implemented favorable policies; for example, the income tax rate has been set at 15 percent for production enterprises that operate within open zones, foreign businesses that earn foreign exchange profits are exempt from having to pay a foreign exchange tax when they leave and the importation of building materials, production equipment, raw and processed materials, spare parts, basic parts, communications equipment and office equipment and the exportation of products used by enterprises within zones are to be handled according to the preferential policies of the special economic zones.

In short, foreign investors and industrial and commercial circles in Hong Kong and Macao are greatly interested in and pay close attention to the advantages of China's 14 open coastal cities. In the past few months, many national firms, especially a few transnational corporations, consortiums and international banks, have one after the other come to China, have discussed investment models with the concerned open cities and have engaged in economic and technical co-operation. We can anticipate that with further advances in systematic restructuring and the open-door policy, there will be new breakthroughs in using foreign capital and importing advanced technology, and China's economy will take another step forward.

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## ECONOMIC DEVELOPMENT ZONES

### BRIEFS

**TIANJIN FOREIGN TRADE**--In 1984, Tianjin municipality overfulfilled its state-assigned quota of port export volume by 20 percent, and that of purchasing volume of export commodities by 6.5 percent. The volume of imported goods showed an increase of more than 70 percent over 1983. It also completed 104 projects of imported material processing and compensation trade. The volume of transactions was more than 2 times that of 1983. [Excerpt] [Tianjin TIANJIN RIBAO in Chinese 5 Jan 85 p 1 SK]

**DOCUMENT ON FUZHOU DEVELOPMENT**--Beijing, January 28 (XINHUA)--Fuzhou urgently needs to retool and update technology, says a recent State Council document on its development plan. The capital of Fujian Province opened wider to foreign investment with 13 other coastal cities last year. An economic and technical development zone is to be built on 4.4-square-kilometer Maweiqing Island. Technological superiority should be exploited to help the provincial economy through imports and domestic business. The document urges closer ties between Fuzhou and Taiwan as an important step towards reunification. [Text] [Beijing XINHUA in English 1221 GMT 28 Jan 85 OW]

**GUANGZHOU FOREIGN TRADE OFFICE**--Guangzhou, January 29 (XINHUA)--An all-in-all office to supervise foreign economic relations and trade on behalf of the Guangzhou city government opened today, officials said. The office in Dongfang (Oriental) Hotel includes 12 units. It offers consultancy services on investment, technology, economy, finance and law to domestic and foreign businesses. It is empowered to directly negotiate deals of exports, trust, credit and labor services and contracts for construction schemes. Industrial and commercial registration can be handled and insurance organized as well. The units used to be scattered across the city, and the general office will boost efficiency, officials said. Guangzhou is capital of Guangdong Province, which now pioneers the implementation of China's open policy. The city signed 1,260 cooperation contracts worth 150 million U.S. dollars last year, several times higher than the corresponding 1983 figures. [Text] [Beijing XINHUA in English 1619 GMT 29 Jan 85 OW]

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ECONOMIC MANAGEMENT

JIANGXI GOVERNOR CHAIRS ECONOMIC REFORM MEETING

OW081011 Nancheng Jiangxi Provincial Service in Mandarin 1100 GMT 5 Feb 85

[Text] The Jiangxi Provincial Government held a meeting of government agencies on the afternoon of 5 February to study the question of reform. The meeting laid down the tasks for the first quarter of the year.

Zhao Zengyi, provincial governor, presided over the meeting. Attending were Vice Provincial Governors Ni Xiance and Liu Bin; advisers to the Provincial Government Fang Qian and (Xu Shaolin); and (Sun Xiyue) and (Chen Jizeng).

Vice Provincial Governor Ni Xiance spoke at the meeting. Talking about the tasks and guiding ideology for Jiangxi's economic work in 1985, he pointed out that it is necessary to study and implement the decision on reform, restructure the rural economy, accelerate technical innovations in enterprises, develop intellectual resources, take still bolder measures to invigorate the provincial economy and open to the outside world, and raise economic results in an all-round way. To fulfill this year's general tasks, it is necessary to do a good job of reform. The whole province must focus its attention on the central task of invigorating enterprises. At present, it is necessary to concentrate all efforts and energy on three tasks. First, to do a still better job in separating functions and responsibilities between administrative departments and enterprises, simplifying administrative procedures, delegating power to enterprises, and giving enterprises a free rein in production. Second, the various departments, bureaus, and companies must strive to make their subordinate enterprises independent entities, implement the contract responsibility system at all levels, start using capable persons, and enforce the managerial responsibility system. Third, in making personnel choices, it is necessary to do away with such traditional practices as the seniority system, favoritism, sectarianism, factionalism, looking down on intellectuals, and nitpicking; to resolutely replace those enterprise leaders who do not meet reform requirements and have failed for years to open up new prospects for their enterprises; and to start using people who are enterprising and are bold in carrying out reforms and pioneering new ways.

Touching on the question of how to invigorate state enterprises, Ni Xiance stressed that, in principle, the provincial departments and bureaus concerned and prefectural administrative offices will no longer exercise direct administrative power over enterprises. This administrative power will be

delegated to subordinate cities, giving them a free rein in organizing and managing the enterprises. A step-by-step check-up and consolidation campaign will be carried out in existing industrial companies. Readjustments, tax reductions, and other measures will be taken to stimulate growth and development of large and medium-size enterprises.

In dealing with the first-quarter production of industrial and communications departments, Ni Xiance said that the first battle of January has already been won. Both output and financial revenue in January increased over that of the same period in 1984. The key question now is how to do likewise in February. The supply, energy, communications, and other departments concerned must fulfill their tasks well and make contributions in fulfilling their industrial and communications production tasks in the first quarter.

In conclusion, Comrade Ni Xiance laid down the requirements for market supply, cultural activities, security, and other work during the Spring Festival Period. He urged comrades of supply departments, agencies responsible for commodity circulation, and literary and art circles to make prompt efforts to make sure that everyone will have a happy Spring Festival.

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## ECONOMIC MANAGEMENT

### LU DONG STRESSES RESULTS IN ECONOMIC WORK

OW101039 Beijing XINHUA Domestic Service in Chinese 1453 GMT 7 Feb 85

[By reporters Zhang Jinsheng and Xu Yaozhong]

[Text] Tianjin, 7 Feb (XINHUA)--While assigning work at the National Economic Work Conference, Lu Dong, minister in charge of the State Economic Commission, said: It is necessary to regard unflinchingly the increase of economic results as the fundamental starting point of our assigning all economic work and the "three simultaneous" increases of industrial production, taxes or profits, and revenues as the objective of our struggle this year.

Lu Dong pointed out: 1985 is the final year of the Sixth 5-Year Plan, a year of all-round reforms. We must seriously implement the "decision" adopted by the 3d Plenary Session of the 12th CPC Central Committee on reform in the economic structure and make urban reforms and do other work well by focusing on the invigoration of enterprises, particularly the central link of invigorating large and medium-sized enterprises. Therefore, we must focus on the following several aspects in our tasks this year:

First, it is necessary to arrange production and circulation properly and guarantee the fulfillment of the state plan. In industry and transportation, we must conscientiously resolve the following few issues: adopting the measures of increasing production, tapping potential, and practicing economy to mitigate the shortage of energy resources, raw and other materials, and transportation capacity; continuously readjusting the product structure, striving hard to improve product quality, and greatly increasing the production of products in short supply on the market; further enlivening commerce, running trade centers well, and expanding the scope of regulating the market; continuously grasping the work of eliminating deficits and increasing profits so that all enterprises suffering deficits because of poor management can eliminate deficits and earn profits this year; further expanding economic ties with units in other localities and coordinating well economic and technical development, which is very significant; striving hard to reduce the consumption of energy by more than 5 percent as compared with 1984 by readjusting product structure and implementing the policy of encouraging frugality. In addition, we must strengthen safety in production and environmental protection.

Second, it is necessary to promote progress in technology and do a good job in technical transformation and in importing technology for enterprises. It is necessary to focus on importing technology, paying attention to the effects of such imports, forming complete sets of equipment with imported technology, and

particularly, manufacturing products by ourselves in our country as soon as possible after studying and mastering imported technology. It is necessary to focus on the technical transformation of large backbone enterprises. Departments concerned in all localities should appropriate 30 percent of the depreciation charge delivered by enterprises to those enterprises along with projects in order to increase enterprise funds for technical transformation. All enterprises, particularly large and medium-sized ones, must greatly strengthen their ability to develop and integrate the improvement of product quality with technological development, technical transformation, and technological imports. It is necessary to broaden the technology market and set up technology trade centers in cities which have the right conditions in order to offer enterprises, scientific research units, colleges, and individuals places for technological trade.

Third, it is necessary to develop the spirit of reform to complete restructure of enterprises. This year we must actively make all reforms in enterprises and do well from start to finish to fulfill the task of restructuring enterprises in the course of making reforms. We must strive hard to finish restructuring all state enterprises listed in the plan within the first half or the third quarter of this year. At present, though nearly 80 percent of the state enterprises listed in the nationwide restructuring plan have been checked and accepted, we must not overestimate the results of our past restructuring effort. We must fully estimate difficulties facing this year's enterprise restructuring and do our work painstakingly. It is necessary to promote step by step the modernization of enterprise management in order to raise the quality of enterprises and their economic results to a new level.

Fourth, it is necessary to attach great importance to intellectual development and strengthen the work of training staff members and workers. This year we must focus on the training of leading cadres of economic management organizations and enterprises and the training of various experts needed for technical transformation and opening to the outside world. We must also focus on educating young workers and workers in their prime of life in general knowledge and scientific knowledge while guaranteeing both quality and quantity of their education and gradually shifting their studies into intermediate and advanced technical education and vocational training. It is also necessary to carry out training in advance to suit the needs of key construction projects, imported technological projects, and technical transformation projects in order to guarantee that projects can start production smoothly and develop economic results as soon as possible.

Lu Dong emphatically pointed out: To meet the situation in making reforms and opening to the outside world, we must further improve and strengthen ideological and political work so that it can show the clearcut characteristic of the times and so there is no mistaking the aims of the work. Enterprises must follow the correct guiding ideology of vocational work and seriously curb the unhealthy trends emerging in the new situation, particularly the trends of "raising commodity prices at will" and "giving away cash awards indiscriminately," and

link all this with party rectification. It is necessary to pay attention to solving ideological questions cropping up in making reforms and adopt effective measures to successfully solve them. It is necessary to integrate closely ideological and political work with economic work and to implement seriously the policy on intellectuals, the policy of "to each according to his work," and the policies on economical use of raw and other materials and on awarding rationalization proposals. It is necessary to be concerned about the weal and woe of the masses and to solve actively workers' practical problems concerning residences, transportation and dining halls.

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ECONOMIC MANAGEMENT

GUANGMING RIBAO ON PLANNING MECHANISM, MARKET MECHANISM

HK110645 Beijing GUANGMING RIBAO in Chinese 27 Jan 85 p 3

[Article by Song Yangyan [1345 7402 8827]: "My Humble Opinions on the Relationship Between the Planning Mechanism and the Market Mechanism--A Discussion With Comrades Ma Jiaju [7456 1367 7467] and He Wei [0149 0251]" ]

[Text] After reading the argumentative articles by Comrade Ma Jiaju, Comrade He Wei and others published successively on 13 January and 20 January in GUANGMING RIBAO, I was very much enlightened. As regards some questions and viewpoints put forward by them, I would like to express my humble opinions to solicit comments of comrades.

First of all, I feel that two "basic points" of Comrade Ma Jiaju's line of reasoning are theoretically groundless. He said that "here, on one hand laborers in various sectors of enterprises different sizes jointly possess means of production, work together and jointly possess products, and moreover effect distribution to individuals according to work; on the other hand, these productive organizations working together are also separated one another to varying degrees and are respectively in a basically independent or at least relatively independent position, and therefore their production and the exchange among them should also inevitably adopt the form of commodity production and commodity circulation." I think that in practical socialist economy, as far as the enterprises under the system of ownership by the whole people are concerned, because of the incompleteness of the system of ownership by the whole people, it is impossible to realize among them "joint possession of the means of production," "working together," and "joint possession of products"; on the contrary, it is possessing means of production, working separately, and possessing products that actually exists among enterprises. If the first half of his sentence, namely, jointly possessing the means of production, working together, and jointly possessing products, really came true, then the state of affairs he mentioned in the second half, with enterprises being "separated from one another," "independent," or "relatively independent" would not exist, thereby fundamentally negating the necessity of the existence of the commodity economy under the socialist system. It should be emphatically pointed out that the characteristic of enterprises being "independent" or "relatively independent" is absolutely not the cause of the existence of commodity production and commodity exchange; instead, the fundamental cause of the existence of commodity production and commodity exchange lies in the incompleteness of the system of ownership by the whole people, in other words, the factors of



collective ownership still exist in enterprises under the system of ownership by the whole people. This is specifically embodied in the following: Among enterprises the means of production are possessed, applied, and controlled; laborers are organized in the scope of each enterprise to engage in collective combined labor; and products of labor are possessed by each enterprise and distributed in accordance with the principles of socialism. On this question, Comrade Ma Jiaju transposed the relationship between these two points in the following way: It is not the characteristic of enterprises being "independent" or "relatively independent" that determines the existence of the commodity economy, but instead it is the existence of the commodity economy which determines that each enterprise will surely possess the "independent" or "relatively independent" characteristic. Since these two "basic points" of his line of reasoning are wrong, it is impossible for the so-called "organic combination of the two regulation mechanisms" pattern based on these two "basic points" to be correct.

Comrade Ma Jiaju did not admit that the combination of incomplete mechanisms that he had described is a "combination of plate and lump," [ban kuai jie he 2647 1040 4814 0678] rather he only admitted that it is a "phenomenon of plate and lump." [ban kuai xian xiang 2647 1040 3804 0271] I think the so-called "combination" according to him means to put together "two lumps" which were originally totally separated in space and did things in their own way, thereby enabling the two to partially intersect and overlap. Regardless of the changes on the section of intersection and overlap, such a "combination" is, however, still a combination based on "plate and lump." In fact, judging from his analysis of the question, we can see that as a result of interaction and mutual restraint and restriction even "two lumps" which are still opposing each other on the overlapping section can become an amalgamation in which both the planning mechanism and the market mechanism coexist and accommodate one another, namely, the "guidance planning" described. However, this does not in the least indicate theoretically what relationship exists between the planning mechanism and market mechanism and therefore it cannot indicate how the two truly combine, as well as the necessity and inevitability of their combination.

Therefore, the most important thing is to clarify the real relationship between the planning mechanism and the market mechanism and to explore the real cause of their combination. I hold that the relationship between the planning mechanism and the market mechanism is, in fact, the concrete embodiment of the relationship between the planned economy and the commodity economy, and the former completely resides in the latter.

Historically, the development of the commodity economy has already experienced two stages: The first stage is the planless, or spontaneous, commodity economy and the second stage is the planned, or conscious, commodity economy. Viewing future trends, the development of the planned economy will also inevitably experience two stages: The first is the stage of a planned economy with a commodity economy as its content and the second is the stage of a planned economy with a product economy as its content. History has already proven that although the development pattern of the commodity economy has changed, namely from being a planless commodity economy to a planned commodity economy, its content is unchanged and it is still a commodity economy (of course, this refers to the commodity economy in general). Future development will also prove that although the pattern of the planned economy will remain unchanged,

its content will change, namely, the commodity economy will change into a product economy. No matter which angle we look at it from, the relationship between the planned economy and the commodity economy can only be a relationship between pattern and content, and cannot be a "relationship between plate and lump." When we are talking about the combination of the planned economy and the commodity economy or the combination of the planning mechanism and the market mechanism, naturally we are referring to the combination of pattern and content, namely, to change or transform the old pattern which is divorced from or unsuitable in content into a new pattern which will be suitable in content, instead of referring to the "combination of plate and lump." What Ma Jiaju said about the mutual "permeation" and "mergence," and what He Wei said about "you have me in you" and "I have you in me," and so on, all belong to the expressions of the "plate and lump theory," and therefore are all inapplicable here.

Because the law of value is the basic economic law of the commodity economy, the relationship between the planned economy and the commodity economy will surely be reflected in the relationship between the planned economy and the law of value and will realize their own function through the relationship between the planned economy and the law of value. Since the law of value is objective and planning is something in which the objective is based on the subjective, in this sense, the relationship between the planned economy and the law of value is also the relationship between subjective and objective, or the relationship between subject and object, namely the relationship between subjective initiative and objective laws. This relationship in actual socialist life is often manifested in the following spheres:

First, since the socialist economy is fundamentally a commodity economy, during the process of its operation, including every aspect of production, distribution, exchange, and consumption, it is regulated and controlled by the law of value without fail. Therefore, in drawing up and carrying out economic plans, people must proceed from the socialist commodity economy, put its demands into full consideration and strictly act according to the law of value.

Second, the law of value is also the law of regulating the distribution of social labor and general social labor. In socialist society, fundamental changes have taken place in the concrete pattern of the regulatory role of the law of value, changing it from being spontaneous to conscious, namely, planned, yet the regulation content remains unchanged and it still regulates, as always, the distribution proportion of the general social labor among social organizations. Therefore, under the system of socialism, any planning which fails to distribute general labor in a planned way and according to the law of value and its role cannot be called a real planned economy.

Third, the national economy is a both grand and complicated dynamic system comprising many variables and random variables. Under present conditions, even if we apply all the advanced means and technologies, like large and micro computers and microprocessors and so forth, it is still difficult to exercise overall and accurate control of the macroeconomy. Under the conditions that the commodity economy still exists, the formulation and implementation of any plans should not only be strictly based on the demands of the commodity economy and its laws but also rely on the system of the market mechanism which itself

possesses automatic feedback functions to make up for the inadequacy of the planning mechanism and serve as an organic part of the structure of the planned economy. The market is a place where the law of value can fully display its role, and utilizing the market is equal to utilizing the law of value.

Thus, it can be seen that the regulation by the planning mechanism which we talk about so often mainly refers to the fact that people consciously proceed from the socialist commodity economy and act according to the demands of the law of value to effect relatively comprehensive regulation over the whole process of the operation of the socialist national economy. Of course, this regulation cannot be mandatory, it can only be guiding and inducing, and at most it is restrictive. This is because mandatory planning only relies on administrative orders to do things and therefore it is incompatible with the nature of the commodity economy. On this question, we cannot agree with Ma Jiaju's so-called "three realms" and the viewpoint of giving first priority to "mandatory planning"; nor can we agree with the viewpoint of He Wei that "In the final analysis, regulation by the planning mechanism is to regulate the contradiction between value and use value," because this saying of He Wei truly underestimates the real function of regulation by the planning mechanism.

It is necessary to further point out that under the system of socialism the law of value is not the sole regulator nor the omnipotent regulator. In fact, in socialist society many economic laws exist, and the interaction and mutual permeation of these laws form a complete system of economic laws. And it is precisely this system of laws which produces a combination of forces to comprehensively regulate and push forward the orderly, namely, proportional and unceasing, operation of the national economy.

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ECONOMIC MANAGEMENT

WANG FANG ADDRESSES TOWN ENTERPRISES MEETING

OW110456 Hangzhou Zhejiang Provincial Service in Mandarin 1000 GMT 8 Feb 85

[Text] A provincial conference on village and town enterprises ended yesterday.

Addressing the conference, Wang Fang, secretary of the provincial party committee, said: Village and town enterprises should shoulder a heavy burden in the effort to double the province's gross annual value of industrial and agricultural production this year. They should strive to have their total output value top 20 billion yuan this year.

After dealing with higher requirements and a heavier burden for the village and town enterprises this year, Comrade Wang Fang said: Vigorous efforts should be made to develop village and town enterprises and to industrialize rural areas step by step. Various ways should be used to develop state-, collective-, and individual-owned enterprises at the same time. Peasants should be supported and encouraged to develop household industries and to jointly set up and run enterprises, and such industries and enterprises should be treated in policy as equally as village and town enterprises are. Existing village and town enterprises should be consolidated and improved, and they should carry out technical transformation. With both the domestic and international markets in mind, various localities should develop their top-quality products according to actual conditions. Party committees at various levels should conscientiously solve problems and difficulties for village and town enterprises so as to enable them to really shoulder a heavy burden in the effort to double the province's gross annual value of industrial and agricultural production.

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ECONOMIC MANAGEMENT

RENMIN RIBAO ON ORGANIZATION OF INDUSTRIAL CORPORATIONS

HK120609 Beijing RENMIN RIBAO in Chinese 4 Feb 85 p 5

[Article by Yi Hui [1707 6540]: "Several Questions on the Organization of Industrial Corporations at Present"]

[Text] Recently, questions concerning industrial corporations have aroused concern in every quarter and everybody is expressing divergent views on the matter. In this article, I would also like to air several superficial viewpoints of mine.

Should Industrial Corporations Be Developed?

The division of labor and the coordination of human production will surely bring about combination and the corporation is an important form to realize this combination. The emergence and development of corporations are the result of their objective inevitability.

The unceasing progress of science and technology has impelled the division of specialization to become increasingly minute and the degree of coordination to become increasingly deep. The result of this increasing minuteness and deepening has also increasingly set new demands on the combination, demanding that it unite interdependent production departments and production units with more and more rational force. Based on modern science and technology, modern industry is manifested not only in highly developed coordination but also in the high development of the formation of production combinations based on specialization coordination. The forms of combination in industrial production can be many and varied, and the industrial corporation is an important form for realizing that combination. Therefore, the springing up of various industrial corporations in the world is an inevitable result of the development of the modern industry.

The organizational structure of the industrial enterprises in our country is still rather backward, and the proportion of "large and complete" and "small but complete" enterprises is very large. If this irrational organizational structure of enterprises is not changed, large-scale socialized production will not develop, and it will be difficult to realize the goals of the four modernizations. Therefore, actively creating conditions for the development of various industrial corporations is the objective demand of changing as soon as possible the backward state of the organizational structure of the industrial enterprises in our country.

## How Should We Regard Existing Corporations?

The conditions of the existing corporations in our country differ, and they should be treated differently. In view of the ways in which they were formed, some corporations were "organized" by administrative departments at different levels, and some were "grouped" together as a result of the combination of enterprises. In view of the nature of these corporations, the majority are administrative corporations, the minority are enterprise-like corporations, and some are administrative corporations at present but possess the conditions to develop into enterprises-like corporations. This requires us to concretely analyze these corporations and treat them differently.

First, on the question whether a corporation or a plant is an enterprise, two deviations should be rectified: 1) Equating corporations with enterprises will be disadvantageous to the adjustment and reorganization of those administrative corporations which are corporations in name but administrative organizations in essence. 2) Equating plants with enterprises will be disadvantageous to the consolidation and development of those enterprise-like corporations which have already become economic entities, and disadvantageous to the development of specialization coordination.

The concept of the enterprise has real economic content, and it mainly includes: 1) The enterprise is a unit engaging in production and operational activities. 2) The enterprise is a unit with independent business accounting of profits and losses. 3) The enterprise must possess certain rights and obligations and possess the status of a legal person. The above contents constitute an economic entity engaging in production and operational activities. Those which possess conditions of economic entities, no matter whether they are at present called corporations or plants, are all enterprises. Those which do not possess the conditions of economic entities, no matter whether they are at present called corporations or plants, are not enterprises. With common understanding on this question, people will not lump together all corporations and plants as enterprises.

Second, on the question of the future and development of existing corporations, two deviations should also be rectified: 1) Indiscriminately letting existing corporations be transformed into enterprises-like corporations; 2) indiscriminately attempting to dissolve existing corporations. This is a bit one-sided in its thinking and a bit simplified in its working. The correct approach should at least differentiate amongst three situations: 1) Regarding those enterprise-like corporations which have already become economic entities, we should support their consolidation and development; and if they have one problem or another, we should help them improve. 2) Regarding those administrative corporations which do not have inner links, we should not let them to be transformed into enterprise-like corporations but adjust and reorganize or dissolve them. Regarding those corporations which are administrative in nature at present but whose affiliated enterprises have relatively practical inner links, it is suitable to help transform them into enterprise-like corporations.



## Industrial Corporations Should Be Organized on the Basis of the Voluntariness of Plants

Close inner links, a rational economy, and mutual benefit are the basic principles of combinations, as well as the basic principles for organizing industrial corporations. Whether these principles are met in organizing industrial corporations, it is only the plants which know better than any one else. Therefore, the key to carrying out these principles in practice lies in developing the combination on the basis of the voluntariness of enterprises.

In fact, the principle of voluntary combination has been defined long ago. In the Provincial Regulations on Further Extending the Decisionmaking Powers of the State Industrial Enterprises, the State Council explicitly declared that enterprises have the power of voluntary combination. Why can the principle of voluntary combination not be carried out? Because the duties of government and enterprises are not separated. Therefore, the key to realizing voluntary combination lies in the practice of the separation of the duties of government and enterprises. Only by separating the duties of government and enterprises can we enable enterprises to break away from the status of the subsidiary bodies of administrative organizations and to independently and voluntarily develop combinations with other enterprises. At present, it should be pointed out in particular that the economic structural reform in the urban areas requires that the large and medium cities should also separate the duties of government and enterprises. Releasing enterprises to lower levels does not mean transferring enterprises from one administrative organization to another administrative organization. The responsible industrial departments in large and medium cities should not get directly involved in organizing industrial corporations. Getting directly involved is disadvantageous not only to developing combinations according to the inherent law of organizing production but also to breaking with bounds between regions and departments.

The emphasis on the voluntary combination of plants does not mean not bringing into play the guiding and promoting roles of the responsible administrative departments. Correct guidance and promotion are important conditions for organizing industrial corporations. Guidance means to propose policies and principles and to provide experience and suggestions, while promotion means to help remove obstacles, open up paths, and solve problems.

## Grasping the "Tie" and "Core" of Organizing Industrial Corporations

"Tie" means combining enterprises and turning them into industrial corporations through inner production, technological and economic links. The main manifestations of the inner links functioning as "ties" are: 1) The link in coordination between main engines and accessories. Regarding products like trucks and tractors, it is suitable to organize the mass production of main engines. Therefore, it is necessary to adopt in production the organization pattern that the main engine plants are responsible for the general assembly and the production of some key component parts, while the majority component parts are produced as a result of the coordination of many specialized plants. It is economically

rational, if we organize the industrial corporations in light of this necessary. 2) The link characterized by specialization of production in the same category and has various types and specifications. Regarding such products as standardized products and bearings, it is suitable to arrange production under unified plans in view of their different varieties and specifications. Therefore, when the industrial corporations are organized, we can rationally organize the division of labor and carry out specialized production in light of the advantageous conditions of individual enterprises. Only by so doing, can it be economically rational. 3) The link in common technology. The structure and usage of some products are very different, yet the key technology deciding the properties of these products are common. For example, vacuum-pumps, vacuum platers, vacuum smelting equipments, and so on. If we can center on vacuum technology to organize the combination, we can group powerful development forces in scientific research, so as to meet the requirements of a rational economy.

"Core" means combining enterprises and turning them into industrial corporations through enterprises or products which possess leading roles. The main manifestations of "cores" with leading roles are: 1) The leading enterprises should be the mainstay enterprises whose technical forces are solid and whose production, management, and operations are good. These enterprises can influence the orientation of the economic combination and possess the capability of attracting enterprise to link with them. 2) The leading products should be needed by the society at present and in the long run and should possess prospects for development. The leading enterprises and leading products are often interrelated.

In fact, the "tie" and the "core" are two links in organizing industrial corporations. Only by grasping these two links can the organizing of industrial corporations become fruitful.

#### Organizational Patterns of Industrial Corporations

The characteristics of industrial products are that their uses and properties are many and varied and the the degree of the complexity of their structure and technology vary. These characteristics determine the variety and complexity of the technology, coordination, and organization pattern of production. Therefore, the organizational patterns of the industrial corporations should also be many and varied. It is unrealistic to use any so-called ideal and perfect mode to organize industrial corporations. The basic organizational patterns of the existing industrial corporations in our country are: 1) The corporation is an independent economic entity, but its affiliated factory is not an independent economic entity. These corporations should still pay attention to strengthening the economic accounting of each factory within the corporation and should carry out internal responsibility systems. 2) Both the corporation and factories joining the corporation are independent entities. The key for this kind of corporation lies in adjusting well the relationship of responsibilities, powers, and profits between these two grades of economic entities, so as to bring into full play the initiative of both the corporation and the members of the corporation. 3) The factory which joined the corporation is an independent economic entity, but the corporation is not an independent economic entity. This kind of corporation is also allowed to exist for the time being. In view of the long-term development, they have two prospects: First, being transformed into economic entities; second, being reorganized into trade associations, economic and technological service companies, and the like. The above-mentioned basic patterns are but one conclusion, and in fact these three patterns are often interrelated.



ECONOMIC MANAGEMENT

NEI MONGGOL SESSION ON ECONOMIC REFORM VIEWED

SK090405 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 8 Feb 85

[Excerpts] On the afternoon of 7 February, the regional CPC committee held a meeting of principal responsible persons of leading party groups of all departments, commissions, offices, and bureaus. Batu Bagen, deputy secretary of the regional CPC committee, presided over the meeting. Tian Congming, deputy secretary of the regional CPC committee, presented a plan for the current key work of the region in line with the guidelines of the regional CPC committee session, and delivered an important speech on resisting unhealthy practices under the new situation.

Tian Congming said: The current economic situation is very gratifying to the people. The situation in economic development last year was very good. The economic situation in the latter half of 1984 was better than that in the first half of the year. The economic situation in the first month of this year was even better than in the latter half of 1984. According to statistics compiled by relevant departments, the region's total industrial and agricultural output value last year reached 13.9 billion yuan, an increase of 9.47 percent over the previous year and overfulfilling the target set by the Sixth 5-Year Plan by 7 percent. In January 1985, the output value of the region's industrial and communications enterprises increased by 21.15 percent over the corresponding period of 1984.

Tian Congming said: We must understand the current excellent economic situation and have full confidence in capturing new successes. At the same time, we must understand where we lag behind and keep sober-minded to solidly do our jobs well.

Tian Congming emphatically pointed out at the meeting: The main trend in the current reforms is good, without a doubt. We must clearly understand the unhealthy practices under the new situation and the harmfulness of the unhealthy practices. We should conscientiously conduct investigations and studies, specifically analyze the unhealthy practices, and work out specific methods for managing the unhealthy practices in line with guidelines of the relevant documents of the central authority. We must strengthen the sense of the party's discipline. Never should we make mistakes in the course of party rectification. We should strengthen our leadership over the ideological work and do well in conducting the ideological and political work. We should conduct education on the idea of wholeheartedly serving the people among the broad masses of party members and cadres to make them pass through trials under the new situation and to conscientiously resist unhealthy practices in order to ensure smooth progress of the reform of the economic structure.

## ECONOMIC MANAGEMENT

### FINANCIAL CONSOLIDATION IN ENTERPRISES URGED

OW101211 Beijing XINHUA Domestic Service in Chinese 1243 GMT 8 Feb 85

[By reporter Zhang Jinsheng]

[Text] Tianjin, 8 Feb (XINHUA)--Addressing the National Economic Work Conference today Chi Haibin, vice minister of finance, said: Financial departments at all levels should coordinate efforts with economic commissions and managements of enterprises at their corresponding levels, and pay close attention to the central task of invigorating the enterprises. They should give particular attention to consolidating financial affairs of enterprises undergoing consolidation.

Chi Haibin said: To consolidate the financial affairs of enterprises, it is necessary to concentrate on the following things:

1. It is necessary to successfully consolidate the groundwork of enterprises, and perfect the economic responsibility system. The groundwork consists primarily of managing quotas, maintaining original records, and calculating materials and equipment. Without sound groundwork, it would be difficult to strengthen the management of production, technology, materials, and financial affairs, or to establish an economic responsibility system. Once the groundwork is consolidated, it will be possible to break down the economic and technical quotas and have the workshops, shifts, and groups implement them at different levels. This will produce a sound system of economic responsibility.
2. It is necessary to solve the related problems so that workshops do not "eat from the same big pot" within an enterprise. Particularly noteworthy is the fact that some large and medium-sized workshops which, because of their size, are concerned solely with production and fail to pay attention to accounting and operation. This will not help overcome egalitarianism in distribution within the enterprises, nor will it help arouse the enthusiasm of workshops, or workers and staff members. To solve this problem, some enterprises are experimenting with the system whereby the workshops will make an accounting of the internal losses and profits. This method of integrating rewards for workers and staff members with economic benefits of the workshop has yielded good results. This reform is on the right track and should be popularized. Large and medium-sized enterprises should gradually let subordinate plants and workshops make an accounting of internal losses and profits on their own so that they will not "eat from the same big pot" within the enterprise.

Chi Haibin emphatically pointed out: In order to consolidate financial discipline, enterprises should resolutely rectify any acts in violation of financial discipline. Some enterprises, out of parochial concern and short-term interests, have disregarded the overall interest of the state, retained financial revenues, arbitrarily apportioned production costs, privately divided up state property, evaded taxes, and wantonly given away materials and subsidies. These violations of financial discipline have scattered and wasted large amounts of state funds, and adversely affected construction of key state projects, reform of economic system, and other economic work. Financial departments at all levels should coordinate efforts with other departments and take effective measures to remedy this situation.

Chi Haibin said: When an enterprise retains after-tax profits, it should follow the relevant regulations of the State Council, and use the funds only for the purpose stipulated. It should not use production funds to pay bonuses. It should list, as they are, all its revenues--those derived from the floating prices of products, from negotiated prices, from services for external units, and from tertiary industries--into the sales revenues account, and pay taxes on them accordingly. Violators of financial discipline should be severely dealt with. The revenues embezzled by them should be recovered, and fines should be imposed according to the tax laws and relevant rules. Do not condone them by simply warning them of sure punishment for future offenses.

CSO: 4006/380

## ECONOMIC MANAGEMENT

### NEI MONGGOL IMPROVES TIES WITH OTHER REGIONS

OW131152 Beijing XINHUA in English 1136 GMT 13 Feb 85

[Text] Hohhot, 13 Feb (XINHUA)--The relatively underdeveloped Inner Mongolia is improving its economic ties with other parts of China.

It acquired more than 100 million yuan from better developed areas last year, equivalent to the total from 1981 to 1983, according to regional economy and technology cooperation chief, Tian Anmin.

The money was used to expand and retool 58 iron and steel, chemicals, coal and power enterprises, he said at the close of a regional economy and technology meeting here this week.

Between 1981 and 1983, he said, economic cooperation with factories elsewhere covered mainly coal and timber.

Now other industrial, animal and farm products have begun selling in other parts of the country in recent years. Shops and restaurants are run by Inner Mongolians in Beijing, Shanghai, Dalian and Shenzhen.

The region's first external joint venture opened here Monday in the regional capital.

The Economic and Technological Consultancy Company set up with a Hong Kong firm imports equipment and funds and exports products as an agent for local factories. It handles leather, camel hair, dairy products and castor bean processing, gold- and silverware technology and marble quarrying.

CSO: 4020/115

## ECONOMIC MANAGEMENT

### STUDY HINTS FOR PRC EXAM FOR FACTORY DIRECTORS

HK120854 Beijing JINGJI GUANLI in Chinese No 12, 5 Dec 84 pp 17-19, 52

[Article by Wu Jiajun [0702 1367 7486], Li Xin [2621 9515], and Ma Quanshan [7456 3123 1472]: "Some Points of Consideration for Managers and Factory (Mine) Directors Preparing for the Unified State Examination"]

[Text] The unified state examination for the second group of managers and factory (mine) directors is drawing close. How should these comrades prepare for the examination on their understanding of principles and policies? I think that the most important thing is to make the key points stand out and systematically study the basic principles and policies concerning China's socialist economic construction.

The unified state examination directorate has clearly indicated that the "Decision of the CPC Central Committee on the Reform of the Economic Structure" adopted by the 3d Plenary Session of the 12th CPC Central Committee will be a major document when the second group is tested in their understanding on principles and policies. This examination should stimulate the study and implementation of the Decision of the 3d Plenary Session of the 12th CPC Central Committee and promote the sound development of the restructuring of the economy as a whole. To this end, the review outline for the examination has been revised in an all-round way along the lines of the Decision of the 3d Plenary Session of the 12th CPC Central Committee on the Reform of the Economic Structure, the important talks on economic questions given by Comrade Deng Xiaoping and other central leading comrades over the past years, and the government work report delivered by Premier Zhao Ziyang at the 2d Session of the 6th NPC. In order to give emphasis on the restructuring of the economy as a whole, an introduction of a new chapter, that is, Chapter IV which specially deals with urban economic restructuring, have been added to the review outline. In Chapter II of the outline, which deals with guiding ideology, four points have been added (namely points 2, 10, 12 and 28). Major revisions have also been made in other points in this chapter and in the other two chapters. The revised outline makes the key points stand out and embodies the spirit of the 3d Plenary Session of the 12th CPC Central Committee.

The 3d Plenary Session of the 12th CPC Central Committee, having analyzed the current economic and political situation in China and summed up the experience, both positive and negative, in socialist construction, and particularly that of

reform of the economic structure in the urban and rural areas over the past few years, holds the consensus view that, proceeding from the overall need to build socialism with Chinese characteristics by integrating the basic tenets of Marxism with actual conditions in China, we must go a step further with the policy of invigorating the domestic economy and opening to the outside world and accelerate the restructuring of the economy as a whole, with the focus on the urban economy, so as to create a new, better situation for our socialist modernization. Proceeding from the principle of integrating the basic tenets of Marxism with China's actual conditions, the decision adopted by the 3d Plenary Session expounds the necessity and urgency of speeding up reform of the structure of the entire national economy with the focus on the urban economy, charts the orientation of the reform, defines its nature and tasks and lays down the basic principles and policies. This decision is a programmatic document guiding the reform of China's economic structure.

China has prepared and carried out reform of its economic structure for several years. The "Decision of the CPC Central Committee on the Reform of the Economic Structure" is the product of the thorough summing up of our experience in socialist construction over the past 30 years, particularly since the 3d Plenary Session of the 11th CPC Central Committee. The 3d Plenary Session of the 11th CPC Central Committee, in deciding to shift the focus of the work of the whole party to economic construction, stressed the imperative need to reform the economic structure for China's socialist modernization. The 12th CPC National Congress, basing itself on the historic change consequent upon the rectification of the guiding ideology of the party, set the explicit task of reforming the economic structure systematically. It pointed out that this reform would provide an important guarantee for keeping to the socialist road and achieving socialist modernization. In the past 2 years, and particularly since the beginning of this year, the party Central Committee and the State Council have made a number of policy decisions and issued major directives, stimulating reform in various fields in depth and breadth.

Thus, when we study the basic principles and policies concerning socialist economic construction, we must give emphasis to the decision of the 3d Plenary Session of the 12th CPC Central Committee and systematically study the series of principles and basic policies of the Party Central Committee since the 3d Plenary Session of the 11th CPC Central Committee. Only in this way can we fully and thoroughly grasp the spirit of the decision of the 3d Plenary Session of the 12th Central Committee and accelerate the development of the reform of the economic structure.

In keeping with the above guidelines, we are offering some suggestions on how to prepare for the section of the examination on basic principles and policies concerning socialist economic construction since the 3d Plenary Session of the 11th CPC Central Committee. We hope they may be of help to comrades taking the examination.

## 1. Concerning Examination Requirements

In accordance with the guidelines of the unified state examination implementation program, the examination stresses the testing of the ability of enterprise managers and factory (mine) directors to analyze and solve problems. The review outline was drawn up according to the requirements stipulated in the implementation program. The revised outline also embodies these guidelines. It defines the scope of the examination, presents the main points and shows the examination requirements.

Since there are no cut-and-dried curricular and teaching material for principles and policies concerning economic construction, when these are tested as a subject, it is quite a problem to set down the examination requirements. We came across such a problem when we were providing training and guidance and making preparations for the first examination. Both the instructors and the examinees found it very difficult to decide how far preparation work should go. In some units, the lectures given were too elaborate and abstruse. Many issues were examined from the angle of research and probing. Some examinees gathered and read a lot of reference material for fear of missing something. I think that being taught more and looking up more reference material will definitely deepen our understanding and reinforce our memory. But we must make sure that we do not water down the key points, depart from the original texts and review outline, or replace the study of original texts with the reading of reference material. Having gained experience in the first examination, we are able to see the following requirements more clearly:

First, we must grasp the basic spirit of the original texts.

Here, the original texts refer to the series of important documents on economic construction issued by the Central Committee and the important speeches and writings of central leading comrades since the 3d Plenary Session of the 11th CPC Central Committee. Of these documents, those which must be studied by examinees were compiled into the "Selected Documents on Economic Policies Since the 3d Plenary Session of the 11th CPC Central Committee" and published over a year ago. A sequel to this was also put out after the 3d Plenary Session of the 12th CPC Central Committee. The original texts are the most powerful weapons for unifying understanding and policies. The party's line, principles, and policies must be adhered to. They are the guidelines that must be followed in all our work. They are of a unified nature and must be precisely understood and strictly enforced. Without a unified understanding and unified policies, there can be no unified action. We study the party's principles and policies because we want to arm our minds with the line, principles, and policies since the 3d Plenary Session of the 11th CPC Central Committee and use them to guide our actions. Thus, those taking the unified state examination must conscientiously study the original texts and grasp the basic spirit of these texts.

In the process of formulating and implementing party principles and policies, there must be continued new research and exploration. In this exploration, there will inevitably be different ideas. There will also be differences in understanding among the economic workers and theoreticians. However, it should



be made clear that the main aim of the unified state examination is to test the examinees' understanding of the party's line, principles, and policies and their ability to solve actual problems. Clearly spelling out this requirement is necessary, for it will prevent us from dispersing our energy and help us concentrate on studying the original texts.

Second, we must highlight the theme, that is, principles and policies.

We know that party principles and policies are formulated by proceeding from China's actual conditions under the guidance of Marxism-Leninism-Mao Zedong Thought. The decision of the 3d Plenary Session of the 12th CPC Central Committee on the reform of the economic structure is itself a text of socialist political economy that integrates Marxism with China's actual conditions. Thus, in our efforts to gain a deep understanding of party principles and policies, we will inevitably touch on Marxist philosophy and political economy. As far as the examination requirements for managers and factory (mine) directors are concerned, it should be made clear that in the examination on principles and policies, the chief requirement is that they understand some basic theories and concepts that bear directly on the basic principles and policies. These basic theories and concepts were discussed in the original texts and included in the review outline. Making this point clear will prevent us from departing from the original texts and from the review outline, and making impractical demands on the managers and factory (mine) directors in regard to basic theories. This will also help us to concentrate our energy on studying the original texts more thoroughly and to understand and grasp the party's line, principles, and policies.

Third, we must manifest the concept of taking economic construction as the key.

Since this is an examination on the principles and policies concerning economic construction, the questions asked will naturally be economic questions. Socialist construction cannot do without political principles and guarantee. Thus, these aspects must be grasped in an all-round way when studying the party's principles and policies. However, we must put the stress on studying questions relating to economic policies. It is important that factory directors taking this examination understand this clearly. This will help them concentrate their energy on studying thoroughly the principles and policies concerning economic construction.

Fourth, we must implement the principle of fewer but better.

The chapter on principles and policies in the review outline was quite detailed and in many places the basic spirit of the original texts was written into it. The purpose of this is to implement the principle of fewer but better. Thus, in reviewing, we should study the original texts as required by the review outline and should not depart from the scope specified in the outline and divert our attention to guidance material of this or that kind. According to experience gained in the first examination, this is also a question worthy of our attention.



## 2. On the Method of Study

This examination is organized to test the ability of enterprise managers and factory (mine) directors to analyze and solve actual problems. Thus, when studying for it, we must not mechanically memorize the tests. Instead, we should use the review outline as a lead to grasp the spirit and essence of the principles and policies and deepen our understanding by integrating with reality.

How can we meet this requirement?

First, we must fully grasp the content of the review outline.

The review outline specifies that the examination covers and where the emphasis is put. Everything included in the outline is covered by the examination. Thus, we must familiarize ourselves with the contents and composition of the review outline and have a full grasp of what it touches on. We must grasp the spirit and essence of the principles and policies according to the leads provided in the outline. As seen from previous sample tests and the first examination, in any examination there are bound to be questions that only require a simple answer. In many cases, these simple answers can be found in the review outline. Thus, if we have grasped the contents of the review outline and can make proper use of it, we can at least answer questions that require simple answers in the examination. In previous examinations, this kind of question made up about one-third of the total score. If we can tackle these questions well, we can lay a good foundation for this examination and set our minds at rest, and will be in a position to strive for still better results. Thus, in our reviewing, we must start with the review outline and fully and firmly grasp the contents of the outline. However, this kind of questions that requires simple answers only accounts for a small part of the examination questions. With the other questions, it will not be possible to give a good answer if we simply rely on the review outline. We must conscientiously study the original texts in regard to these questions.

Second, we must study the original texts according to the leads provided in the review outline.

In studying the original texts, we do not have to make an equal effort on every article in the two selected documents. Instead, we should focus on some of them in accordance with leads provided in the review outline. Only in this way can we meet the requirements of this examination. To begin with, we must focus our study on relevant parts pointed out in the review outline. Then we should move on to questions relating to the economy pointed out in the outline. We should grasp the key points according to the leads provided and thoroughly study the relevant parts of the original texts over and over again. Since the review outline has been completely revised in accordance with the guidelines of the 3d Plenary Session of the 12th CPC Central Committee, taking the relevant parts indicated in the review outline as the key points of study is, insofar as the general spirit is concerned, the same as taking the decision of the 3d Plenary Session of the 12th CPC Central Committee as the key point of study.

Third, we must integrate theory with the actual conditions.

In studying party principles and policies, we must ponder over them in the light of the actual conditions in the country and in our own department and unit. Otherwise, it will be impossible for us to increase our ability to analyze and solve actual problems. This examination stresses the importance of studying the original texts. But it does not advocate mechanically memorizing, still less does it advocate book worship that does not proceed from reality. In order to test their ability to apply what they know in practice, the managers and factory (mine) directors will definitely be asked to write a number of expository essays in the examination so that their ability to express their opinions and think independently can be fully brought into play. Thus, in reviewing, we must assiduously study the original texts according to the leads provided in the review outline and apply their basic spirit in studying the new situation and solving new problems in the light of the actual economic restructuring in our own enterprise. This is the most basic approach to mastering the subject.

Seen from previous sample tests and the first examination, there are roughly three types of questions in the examination on principles and policies. The first type requires simple answers, that is, questions beginning with "what is." This sort of question generally asks for a fairly important definition, such as, "what is the eight-character principle?" and "what are the four basic principles?" In answering these questions, we must be brief, clear, precise, and comprehensive. In order to tackle these questions well, we must, when reviewing, accurately memorize the relevant theories, principles, and concepts in the review outline on the basis of understanding them. During the examination, we must write down the answers briefly and precisely. There is no need for us to spend a lot of time explaining them. The second type begin with "why," such as "why is it necessary to carry out economic readjustment?" and "why is it necessary to actively develop diversified economic reforms?" This sort of question not only requires definitions but also requires reasons. In the first examination, many comrades are not very good at stating their reasons. They just beat around the bush without giving too many points. To overcome this problem, we should, when reviewing, set some questions for ourselves, organize the points for each question according to the original texts, and memorize these points on the basis of understanding. The third type is the expository questions that require elaboration with a knowledge of the actual conditions. During the sample tests and the first examination, some comrades answered this sort of question very well and were able to give in-depth expositions that summed up their practical experience. However, there were also comrades who did not answer these questions well. It does not necessarily mean that these comrades were inexperienced and were not up to standard. Most probably they lacked mental preparation and did not know where to begin. Thus, when reviewing, we may consult the previous examination questions and set some questions for themselves so that we can conscientiously sum up practical experience and make mental preparation. This is actually a process of summing up experience through study. This is not only conducive to our self-improvement but will enable us to do better in examinations.

CSO: 4006/386

ECONOMIC MANAGEMENT

JOURNAL CARRIES PROVISIONAL RESPONSIBILITY SYSTEM RULES

HK131220 Beijing JINGJI GUANLI in Chinese No 12, 5 Dec 85 pp 37-41

["Provisional Regulations for the Trial Implementation of the Factory Directors' Responsibility System for State-owned Enterprises in Hangzhou [1603 1558] City"--issued by the Office of the Leading Group for the Trial Implementation of the Factory Directors' Responsibility System in Hangzhou City, August 1984]

[Text] Section I--General Regulations

Article 1: These provisional regulations are specifically formulated in accordance with the principles stipulated in the "State-owned Industrial Enterprises Law" (draft) and in light of the actual situation in Hangzhou, in order to carry out well the reform of the enterprise leadership system; to clarify the responsibilities, jurisdiction, and tasks of the factory director, the party committee, and the workers congress, and their mutual relationships; and to ensure that each of these manages their own tasks and fulfills their own responsibilities so that together they can run the socialist enterprise well.

Article 2: State-owned industrial enterprises are socialist economic organs owned by the whole people and are units which engage in industrial production, have independent economic accounting, and are responsible for their own profits and losses. The basic task of the enterprises is as follows: While supporting the building of material civilization and strengthening the building of spiritual civilization, they must improve the quality of the enterprise, complete in an overall way the state plans, accumulate funds for the state, make contributions toward satisfying the daily increasing material and cultural needs of the people, and, on the basis of developing production, gradually improve the lives of the workers.

Article 3: State-owned industrial enterprises are to implement the factory director responsibility system. An enterprise is a "legal entity" and the factory director is the representative of this "legal entity." He is to be appointed by the higher-level responsible department. The factory director is entrusted by the state with complete responsibility for implementing unified leadership over an enterprise's production, operations, and administrative management work.

Article 4: The party organ of the enterprise is to assume the task of leadership in the ideological and political fields. It is to carry out unified leadership of mass party work, of ideological and political work, and of the workers' congress. It is to play the role of a guarantor and supervisor in regard to production and administrative management work, and is to coordinate the relations among all sides within the enterprise.

Article 5: The masses of staff and workers are the masters of the enterprise. The workers' congress is the basic form through which the enterprise will carry out democratic management.

Article 6: The workers' congress of an enterprise, under the leadership of the enterprise's party organ, will carry out socialist and communist ideological education for the masses of staff and workers, defend the lawful interests of the staff and workers, and undertake the responsibilities of a work organ.

Article 7: Medium-sized and small state-owned enterprises can implement on a trial basis the system whereby the factory director is also the party secretary.

## Section II--The Responsibilities and Jurisdiction of the Factory Director

Article 8: The factory director is responsible to the state for carrying out certain duties. He must:

A. Implement the party's line, principles, and policies; abide by the state's laws and regulations; maintain a socialist direction for the enterprise; protect the interests of the state and the people; and correctly handle the relationship between the state, collectives, and individual workers.

B. Firmly carry out and fulfill the mandatory plans which have been handed down by the state and, under the guidance of state plans, fully bring into play the supplementary role of regulation by market mechanism, strictly implement contracts, guarantee product quality, and make every effort to achieve the best economic results.

C. Make efforts to raise the quality of the enterprise. Focusing on product development, he must raise product quality and productivity and actively spread advanced techniques. Focusing on raising management efficiency and economic benefits, he must improve economic management, strengthen the political, cultural, technical, and trade knowledge of the staff and workers, and continually raise the quality of the workers' ranks so as to achieve long-lasting, stable development.

D. Combine production operations with administrative management work and do well in ideological and political work for the staff and workers.

E. Do well in environmental protection and labor safety so that there is civilized and safe production. He must pay attention to the lives of the staff and workers and take the responsibility for handling well the staff and workers' welfare undertakings.

F. On the basis of developing production, gradually increase the wages of the staff and workers and continually improve their living standards.

G. At regular intervals, give work reports to the party organ and the workers' congress of the enterprise. He must listen to ideas and suggestions and accept supervision.

H. Support the workers' congress and trade union and CYL mass work. He must implement those resolutions made by the workers' congress on matters which fall within their control.

Article 9: The factory director is entrusted by the state to exercise the following powers:

A. The power to make policies

Policy-making power in regard to the important problems involved in production operations and administrative management work, including long-term plans, annual plans, and plans for important technical reforms, can be exercised in accordance with regulations, following examination and approval by the responsible departments.

B. The power of command

1. The factory director will exercise centralized, unified command over the enterprise's production, operations, and administrative management work through the production administration command system. Within the production administration systems, he can divide things into levels and sections and delegate authority.

2. The factory director will exercise direct leadership over the work of the deputy factory directors (including engineers and accountants).

(Same below) The deputy factory directors will be assistants to the factory director. They will work under the leadership of the factory director and will be responsible to him. The relationship between the factory director and the deputy factory directors will be a relationship of the leader and the led.

3. All administrative functional departments (or sections) and workshops will be controlled by deputy factory directors. In accordance with the principles of management scope, deputy factory directors appointed by the factory director will manage these departments separately. Some departments may be directly under the leadership of the factory director.

4. In order to raise the usefulness and effectiveness of the factory director's command over production administrative work, it is necessary to establish a system of graded leadership positions and graded responsibility within the administrative command system. The lower level will [word indistinct] receive leadership from a higher level and will be responsible to that higher level. The higher levels cannot bypass levels in the chain of command, except for cases of examination and supervision. The lower levels cannot bypass

leadership levels in asking for instructions, but can do so if reporting a situation.

C. The power to appoint and dismiss

1. The factory director has the power to "form a cabinet" from the administrative leadership groups and to propose appointment and dismissal namelists for deputy factory directors, engineers, and accountants. After soliciting the ideas of higher-level responsible departments, the appointments can be made by the factory director.
2. Prospective names for the heads of the administrative sections (or departments) and for the heads of workshops will be put forward by the assigned administrative leader, and the appointments will be made by the factory director.

D. Decisionmaking power

1. The factory director can make decisions in regard to the establishment, change, or abolition of rules and regulations concerning the enterprise's production operations and administrative management. Decisions on the establishment, change, or abolition of important rules and regulations which affect the whole enterprise should be submitted to the workers' congress to discuss and pass.
2. On the basis of the actual needs of the factory's production development and operations management, the factory director can reform management systems and establish and change administrative management organs.
3. In accordance with the needs of production operations and administrative work, the director has the power to recruit technicians and managers (including cadres and technical workers who have retired or left their posts).
4. The director has the power to refuse or to require the adjustment of those production tasks which are of a mandatory planning nature or are outside the state plans for which the enterprise does not have the material conditions. The same holds for the products for which it cannot arrange sales.
5. The director has the power to decide on funds for technical transformation, including the use of funds for production development and for the trial production of new products, depreciation funds, and funds for major repairs.
6. The director has the power, in accordance with the "Enterprise Law (Draft)," to refuse uncompensated transfer or apportioning of resources, except as expressly stipulated by the State Council or the provincial people's government.

E. The power to issue awards and impose penalties

1. The factory director has the power to give commendations, citations, and holidays to cadres (including deputy factory directors) and workers who have made contributions. Promotions may be given to those who have made special



contributions. In any one year, no more than 3 percent of the total number of staff members can be promoted, but it is possible to receive a combination of the forms mentioned above.

2. In regard to those staff members and workers who violate the enterprise's discipline or regulations, the director has the power, to impose punishments including warnings, small demerits, the major demerits, only allowing a worker to remain in the enterprise under observation, and even dismissal of the worker.

F. The power to handle matters in accordance with the situation

The factory director has the power, in an urgent situation, to handle matters in accordance with the situation in regard to prominent problems in the production operations and administration of the enterprise. However, after the event, the director should report to the unit (or department) with the decisionmaking power.

Article 10: When the factory director is not in the factory, he will be represented by an administrative leader of the factory, who is to be appointed by the director. This person will exercise the authority of the factory director.

Article 11: The factory director's organizational system for making policies:

A. Establishing the factory director's organizational system for making policies is as follows: The factory director, when making policies on major questions in regard to production, operations, and administrative work, should carry out discussions through an organizational system for policy-making and listen to the various opinions.

B. The director's organizational system for policy-making can be a management committee, a factory business meeting, or another form. The specific form can be decided on the basis of the actual situation of the enterprise.

C. The members of the management committee (factory business meeting, or other form, as also below) should be skilled, but should be few in number. In general, the committee should consist of the factory director and deputy directors, the party secretary, the chairman of the trade union, and a small number of specialist members who are very familiar with the industry, have rich experience and the ability to analyze and judge things, and have strategic ideas. When necessary, the factory director can appoint staff members to attend as non-voting members.

D. The policy-making scope of the management committee is mainly as detailed below:

1. Putting forward ideas in regard to annual and quarterly production plans, important measures and major administrative work.

2. Putting forward medium-term plans for production, operations, scientific and technical research and the development of new products, and plans for important technical transformation.

3. Putting forward important plans for enterprise consolidation and reform, plans for the setting-up and readjustment of organs, and plans for the establishment, revision, or abolition of important rules and regulations.

4. The appointment and dismissal of middle-level cadres.

5. Putting forward plans for the vocational training of staff and workers.

6. Putting forward plans for the allocation and utilization of production development funds, funds for the trial production of new products, reserve funds, and staff and workers' welfare funds.

7. Putting forward plans for wage adjustment and reform, and for important matters concerning the staff and workers' awards and penalties.

8. Improving the annual plans in regard to welfare facilities for the staff and workers and the principles on which staff and workers' housing is allocated.

9. Improving labor safety and environmental protection. They should also do well in arranging important facilities related to safe and civilized production.

10. Planning for responsibility systems of all types and all levels, which have contracts as their core.

11. Handling any other important matters which the factory director believes need to be submitted for discussion.

E. Regardless of which policy-making system is adopted, any group will be chaired by the factory director and will make use of collective discussions, with policy decisions being made by the factory director.

### Section III--The Responsibilities and Jurisdiction of the Enterprise's Party Organization

Article 12: The responsibilities and jurisdiction of the enterprise's party organization include.

A. Guaranteeing and supervising the implementation of the party's line, principles, and policies, and the state's laws and regulations; and adherence to the socialist direction of the enterprises.

B. Guaranteeing the political stability and unity of the enterprise and the normal operations of production and operational activities; and guaranteeing and supervising the completion of state plans and production tasks.



C. Educating party members and the staff and workers to follow the commands of the factory director, to support the unified leadership of the factory director in production operations and administrative work, and guaranteeing that the factory director can exercise his authority. In addition, it must provide supervision and ensure that the factory director respects the democratic rights of the staff and workers so that there is democratic management.

D. Beijing responsible for the management, assessment, and appointment and dismissal of the party masses and cadres. It should also propose ideas and suggestions in regard to the appointment and dismissal of deputy factory directors and other leading administrative cadres, as well as in regard to middle-level cadre appointments and dismissals.

E. Strengthening the building of the party, doing well in the education and management of party members, improving party life, and doing well in the work of recruiting party members in order to bring into play the role of the party branch as a powerful fighting force and the role of the party members as advanced models.

F. Responsibly leading and doing well in ideological and political work for the staff and workers, doing well in the building of spiritual civilization, closely combining with economic work, and providing education in patriotism, collectivism, socialism, and communism for party members and staff and workers. It must also raise the ideological consciousness and enthusiasm for labor of party members and staff and workers, so that they become disciplined laborers who have ideals, morals, and are cultured.

G. Leading the work of the trade union, CYL, people's militia and other mass organizations, and the workers' congress, so as to fully bring into play their positive roles.

H. Supervising the various levels of leading cadres to ensure that they uphold the four basic principles, observe discipline, and obey the laws, so that they act as servants of the people.

Article 13: The implementation of the party's line, principles, and policies, and the major measures to be taken in response to the higher-level party committee's resolutions and directives.

B. The planning and summation of the party committee's political work on a quarterly and annual basis.

C. Listening to and discussing the factory director's report in regard to the major problems in production, operations, and administrative work, proposing ideas and suggestions, and guaranteeing the implementation of measures.

D. The analysis of the ideological situation of party members, as well as the education, management, and development of, and rewards and penalties for, party members.

E. The analysis of the ideological attitudes of staff and workers, the development of ideological and political work, and the strengthening of measures in the building of a socialist spiritual civilization.

F. The establishment and adjustment of party, trade, union, and CYL organs within the enterprise.

G. The appointment of, training and transfer of, and conferring of awards and penalties for middle-level party cadres.

H. Important questions in the work of the trade union, CYL and other mass organizations, and the workers' congress.

I. The making of reports to higher-level party committees requesting instructions in regard to important questions.

Article 14: The party committee must uphold the organizational principles of democratic centralism and implement a system whereby centralized leadership is combined with the responsibilities included in a system of an individual division of labor.

Article 15: The party committee (general branch, or branch, as holds below) secretary will take charge of the party committee's daily work. His major responsibilities will be as follows:

A. To preside over meetings of the party committee, to organize the implementation of resolutions, and to investigate how the resolutions are being implemented.

B. To take the lead in implementing democratic centralism and to do well in building up and unifying the leading groups.

C. To grasp with great energy party building and ideological and political work.

D. To participate in administrative policy-making and to support the exercise of authority in the production administration command system which is led by the factory director.

E. To coordinate the relationships between the party, the administration, the trade union, and the CYL.

F. To go deep among the masses, to do well in investigation and research, to grasp well typical examples, and to sum up and propagate their advanced experiences.

Article 16: The party general branches and branches in workshops, under the leadership of the factory party committee, will take on the leadership tasks in party mass work and ideological and political work within their departments. They will also play the role of a guarantor and supervisor in regard to production, operations, and administrative work.

#### Section IV--The Tasks and Powers of the Workers' Congress

Article 17: The task of the workers' congress is: In conformity with the party's principles and policies and the state's laws and regulations, and under the leadership of the factory party committee, the workers' congress is to exercise its power and support the staff and workers in participating in the democratic management of the enterprise. It is also to appraise and supervise the cadres, correctly handle the relationship between the state, the enterprise, and the workers, and guarantee the completion of the state plans and other tasks, so as to run the socialist enterprise well.

Article 18: The workers' congress will exercise the following powers.

- A. It will listen to work reports by the factory director and put forward ideas and suggestions.
- B. It will discuss and make decisions on the plans for the enterprise's wage readjustments, bonus allocations, internal economic responsibility systems, staff and workers training plans, regulations for awards and penalties, and other important rules and regulations.
- C. It will discuss and decide upon the plans for using collective welfare funds, staff and workers' housing allocations, and other collective welfare matters.
- D. It will appraise and supervise the local levels of cadres in the enterprise and make suggestions for appointments, awards, and penalties.
- E. It will examine and supervise the implementation of resolutions and motions of the workers' congress by relevant departments, and the handling of suggestions.

Article 19: The organizational principle of the workers' congress is one of democratic centralism. A workers' congress will hold a session once every 2 years and will generally meet every 6 months. If necessary, meetings can be held at times other than these.

Article 20: Democratic management will be carried out in the workshops by small representative groups or through the workers' congress. The workers will directly participate in the small production groups' day-to-day management.

#### Section V--The Tasks of the Trade Union

Article 21: The main tasks of the trade union are as follows:

- A. In coordination with the administrative organs, it is to arouse and organize the staff and workers to study politics, culture, science, technology, and management. In coordination with the party committee's political work department and the CYL, to carry out ideological education which has communism as its core, for the vast number of staff and workers. It is to do well in

day-to-day ideological work and to educate the staff and workers to abide by the regulations for staff and workers, factory discipline, and factory rules. It must bring into play the positive role of the workers ranks while improving their quality.

B. It is to organize the staff and workers in developing socialist labor emulation, rational proposals, and technical innovation and coordination activities. It must sum up and propagate advanced experiences and must do well in the appraisal, selection, and citation of advanced producers (workers) and labor models, and in fostering and managing work so as to mobilize the staff and workers to complete their production tasks.

C. With relevant departments, it is to carry out preparatory work for the workers' congress and congress tasks, and during the congress, carry out day-to-day work and actively undertake tasks as the work organ of the workers' congress.

D. It is to motivate the masses of staff and workers to strive to do well in building spiritual civilization, and to develop spare-time cultural, recreational, and sports activities which are beneficial to the mind and body.

E. It is to assist and supervise the administration in doing well in collective welfare undertakings for the staff and workers and in doing well in subsidies for workers who have difficulty in their livelihood. It should also do well in mutual aid work.

F. It is to safeguard the legitimate rights of staff and workers. It is to pay attention to the improvement of the conditions under which the staff and workers labor, and to safeguard the safety and health of the staff and workers in their production labor. It is to supervise the implementation of state laws, rules, and regulations which relate to labor protection, safe technology, and industrial health. It is also to participate in safety inspections and in the investigation and handling of accidents resulting in injury or death. It is also to do well in the work of protecting female workers, so as to protect their special interests.

#### Section VI--Cadre Management

Article 22: In selecting people to be used as cadres, it is necessary to adhere to the cadres' line in appointing people on their merits, implement the principle of having "more revolutionary, younger, better educated, and more professional" cadres, and ensure that they meet the standard of having both ability and political integrity.

Article 23: Large and medium-sized enterprises should implement the system whereby there are separate administrative cadres and party cadres. Each should establish appropriate cadre management organs and management systems.

A. The party committee organizational department will be responsible for the appointment, assessment, and management of those party mass cadres below the level of deputy secretary (including deputy secretaries and trade union chairmen).

B. The administrative personnel department will be responsible for the appointment, assessment, and management of administrative cadres below the deputy factory director level (including deputy factory directors).

Article 24: An administrative cadre tenure system is to be implemented.

A. The factory director's tenure will be 3 to 4 years. He can be reappointed but, in general, will not be able to serve more than two terms.

B. An employment system for middle-level administrative cadres and ordinary administrative cadres should gradually be implemented.

C. The tenure (period of employment) for middle-level cadres will be 2 years. They can be reappointed (reemployed).

D. In regard to party mass cadres, an election or appointment system should be instituted. Enterprises which have the conditions can implement a system of tenure.

Article 25: The appointment and dismissal of cadres.

A. Factory directors will be appointed by the higher-level responsible departments.

B. The factory director will propose candidates for deputy factory directors and, after soliciting the opinions of the enterprise's party organization and the higher-level responsible department, will appoint them.

C. All middle-level cadres in departments (sections) and workshops will be proposed by deputy factory directors and be appointed by the factory director who will report this to the higher-level responsible department for the record.

D. The party committee secretary will be appointed by the higher-level party committee.

E. Prospective party committee deputy secretaries will be discussed by the enterprise's party committee, which will report this to the higher-level party committee for approval.

F. Party middle-level mass cadres will be determined after discussion by the party committee.

Article 26: The assessment and training of cadres:

The party committee organizational department and the personnel department of the administration should establish and perfect a cadre assessment system. Through combining assessment by the leaders with appraisal by the masses, and by combining the method of general assessment with the method of regular checks, the cadres' morals, abilities, diligence, and achievements can be examined so as to provide a basis for the rational use of cadres.

Article 27: Awards and Penalties for Cadres:

- A. All party and administration cadres who perform outstandingly should be given appropriate honorary awards, material rewards, and economic rewards.
- B. General encouragement and awards for the factory director and the party committee secretary will be determined by the higher-level responsible department.
- C. If, due to poor operations management, an enterprise fails to complete the state plans or incurs losses for 2 consecutive years, the factory director should be immediately removed from office. The party committee secretary should also bear certain blame and should be appropriately punished.
- D. If middle-level administrative cadres fail to complete production plans or work tasks for 6 months, they should take the initiative and tender their resignation to the factory director for approval.
- E. Anyone who, through neglect of duty or use of their position for private gain, harms the interests of the state or the enterprise, should be punished in accordance with the seriousness of the case.

Section VII--The Coordination of Internal Relationships Within the Enterprise

Article 28: The relationship between the factory director and the party committee:

- A. The factory director should respect and support the party committee in carrying out the tasks set by the higher-level party committees and in implementing the resolutions put forward by the party committee in completing the tasks set by the higher-level party committees.
- B. The factory director, when organizing a cabinet and appointing and dismissing administrative cadres, should, of his own accord, listen to the party committee's ideas and suggestions.
- C. The factory director will, at set times, give a work report to the party committee and seek the committee's support and guarantees.
- D. Party-member factory directors should, at set times, participate in party organizational activities, report on ideology, listen to criticism, and accept the supervision of party members.
- E. The party committee must support the factory director in his unified command of production and leadership work and in his assumption of overall responsibility. It must educate the vast number of party members and workers to follow the commands of the factory director.
- F. When the factory director and the party committee have different ideas about major principles in production and administrative work, things should initially be handled in accordance with the factory director's ideas. The

party committee can reserve its ideas and must make a timely report to the higher authorities.

G. The factory director and the party committee secretary are the major party and administrative leaders of the enterprise. In their work they must support each other, be understanding of each other, keep in constant contact, and coordinate closely so that they can run the socialist enterprise well.

Article 29: The mutual relationship between the factory director and the workers' congress:

A. The factory director must respect the authority of the workers' congress, support its work, accept its supervision, and rely on the workers' congress in running the enterprise well.

B. The factory director should make work reports at fixed intervals to the workers' congress and earnestly organize the implementation of the proposals and resolutions of the workers' congress.

C. The factory director should regularly listen to the criticisms and ideas of the workers' congress, voluntarily accept the supervision of the staff, and strictly prohibit retaliatory attacks.

D. The workers' congress must support the factory director in exercising his authority and so ensure a high degree of authority for the production command system.

E. When the factory director disagrees with discussions, the passing of motions, or decisions which fall within the scope of the workers' congress work, the implementation can be deferred and the enterprise's party committee can be asked to make a decision.

F. When the workers' congress does not agree with the factory director in regard to his decision on a question which falls within the scope of the work of the workers' congress, the factory director's decision will be initially implemented. The workers' congress can reserve its ideas and the matter can be handled in a coordinated way by the enterprise's party committee.

Article 30: The relationship between the factory director and the trade union:

A. The factory director must positively support the work of the trade union and support the masses of staff and workers in correctly exercising their democratic rights as masters of the enterprise.

B. The trade union must educate the workers to have an attitude of being masters in regard to their own labor, to follow the leadership of the factory director, to comply with commands, to observe labor discipline, to implement rules and regulations, and to guarantee the completion of production and work tasks.



C. When contradictions occur in the work of the factory director and the trade union, they should be resolved in a coordinated way by the enterprise's party committee.

Article 31: As to the system for coordinating relationships within the enterprise, at fixed intervals it is possible to hold a joint conference of the party committee, the administration, and the workers. It is also possible to use other groups, but all will be presided over by the party committee secretary.

#### Section VIII--The Relationship Between the Enterprise and the Responsible Unit

Article 32: The enterprise can only be led by a responsible department.

Article 33: The responsible department must be solely responsible for handing down to the enterprise state plans and other tasks from the higher levels.

Article 34: The unit responsible for the enterprise will be responsible for the appointment and dismissal, training and assessment of, and awards and punishments for the factory director and the party secretary. During his tenure, the factory director must maintain relative stability. Under the current system, the organizational department of the upper-level party committee has a professional guidance function in regard to the enterprise's administrative personnel department.

Article 35: The enterprise's responsible department must respect the relatively independent economic position of the enterprise and its appropriate autonomy. The department must implement the State Council's regulations on expansion of the enterprise's autonomy, guard against inappropriate interference in the enterprise, and do well in its work of planning, guidance, inspection, supervision, service, and coordination for the enterprise.

Article 36: The enterprise must carry out production and operations activities under the direct leadership of the responsible unit. The enterprise can only implement important technical transformation plans and technical importation plans after reporting the plans to the responsible department and gaining approval. The enterprise's medium- and long-term plans must be implemented under the leadership of the responsible unit, and the enterprise must guarantee the completion of those production plans and the tasks handed down by the responsible department.

#### Section IX--Supplementary Articles

Article 37: After these provisional regulations have been discussed and passed by the leading group for the trial implementation of the factory directors' responsibility system in Changzhou City, and after they are approved by the city's party committee and municipal government, they will be implemented on a trial basis.



Article 38: These provisional regulations will be implemented on a trial basis in enterprises where the factory director responsibility system is being implemented on an experimental basis. Where the original rules and regulations differ from the provisional regulations, the provisional regulations will apply. Other enterprises will continue to operate in accordance with the original methods.

CSO: 4006/386

ECONOMIC MANAGEMENT

BAOSHAN PLANT DIRECTOR DISCUSSES COMPLETION OF COMPLEX

HK120524 Beijing BAN YUE TAN in Chinese No 1, 10 Jan 85 pp 25-27

[Newsletter by reporter Zhou Yongkang [0719 3057 1660]: "Victory Is in Sight-- The General Director of the Baoshan Steel Plant Headquarters Talks About Baoshan Steel Plant"]

[Text] Six years have elapsed since the construction of the Shanghai Baoshan Iron and Steel Complex--so far the largest construction project in our country--was started in 1978. People throughout the country are concerned about the progress of the project. Our reporter has made a special trip to this new city of iron and steel production situated on the bank of Chang Jiang and has interviewed Li Ming, general director of the headquarters of the Baoshan steel plant project and vice minister of metallurgical industry. The following is the record of the interview.

Question: How is the Baoshan Iron and Steel Plant project progressing after 6 years' construction?

Answer: The Baoshan Iron and Steel Plant project has been continuing under the direct guidance of the CPC Central Committee and the State Council and has received strong support by all provinces and municipalities since it was started 6 years ago. By late October last year we had completed 80 percent of the total budgetary investment for the first phase of the Baoshan Iron and Steel Plant and had installed 350,000 tons of equipment out of the 360,000 tons of equipment to be imported from foreign countries according to the project design.

Many key projects, such as the No 1 blast furnace, the two big converters, and the two rough rolling machines have undergone separate trial operation, joint trial operation, and overall trial operation. The sintering mill which will supply the blast furnaces with nearly 5 million tons of "refined raw materials" is ready to be handed over for production. Both the plant-owned power station and the raw material transport pier with more than 20 million tons in annual cargo handling capacity have been put into operation. The construction of the seamless steel tubing mill and the Chang Jiang diversion project is being speeded up so that they can be completed as scheduled. By October last year, 700 out of the 909 third grade projects of the first phase construction, or 77 percent of all the first phase projects, are undergoing trial operation, have undergone trial operation, have been fulfilled, or have been partially completed.

Question: The first phase of the Baoshan Iron and Steel complex will be formally put into operation in less than 1 year from now. How is the progress of the preparation work?

Answer: The Baoshan project as a capital construction project is now entering a rounding-off stage. The completion dates for all the component parts of the first phase are scheduled in strict order based on the production process, with the No 1 blast furnace as the key factor. Therefore, some component parts must be put into operation 2-5 months prior to the completion of the whole project or even this spring. Such being the case, we are now entering the production preparatory stage. The most important link in the preparation work is the recruitment of a labor force. Nearly 90 percent of the total staff for the first phase of the Baoshan steel plant had reported to the management by the end of October last year. Ninety five percent of the more than 200 key posts at various plants and sections have been filled. More than 10,000 staff members are now being trained on the spot, personally taking part in the installation, trial operation, and maintenance of the imported equipment to get familiar with the technical specifications and operational procedures and to enhance their technical level. As far as raw materials supply is concerned, the Baoshan steel plant will need more than 240 kinds of major and minor raw materials, fuel, and fireproof materials weighing 11.9 million tons. So far the plant has already sent orders to supplying units for more than 210 kinds of raw materials, weighing 11.6 million tons or more.

The Baoshan steel plant is an integrated iron and steel complex with a high degree of automation. Only by making good preparations can we maintain a stable output and ensure that the equipment gradually reaches its designed performance standards after it is put into operation. Only at that time can we claim that the Chinese are capable not only of building the Baoshan steel plant but also of properly managing the plant.

Question: The first phase of the Baoshan steel plant is to be put into operation soon. Is the second phase of the project under construction at the moment?

Answer: Soon after the State Council decided in the spring of 1983 to further the construction of the Baoshan steel plant, the second phase has become a part of the Baoshan project. Only by completing the second phase can the first phase of the Baoshan project achieve better economic results. At present, the Baoshan steel plant project is being carried out "along three lines," namely, the rounding off of the capital construction of the first phase which will still involve quite a lot of work; production preparations for the first phase, which is going to produce a heavier and heavier work load; and finally the design and construction of the second phase of the project. With many tasks to be tackled at the same time, we are faced with an extraordinarily heavy work load. All the metallurgical and construction companies affiliated with the Ministry of Metallurgical Industry are now making every effort to ensure a smooth transition from the first phase to the second phase.

Question: What is your appraisal of the progress so far made in the construction of the Baoshan steel plant project? And what is your forecast of the development of the project?

Answer: Thanks to the great efforts made by tens of thousands of construction workers over the past few years, the Baoshan steel plant as a modern integrated iron and steel complex has eventually emerged on the shore of the East China Sea. Generally speaking, victory is now within sight. If we continue our efforts, guard against arrogance and rashness, more strictly adhere to all requirements as the date set for the plant to be put into operation draws nearer and nearer, work conscientiously and meticulously, and make sure that everything is perfectly arranged, the moving scene of the plant being put into operation will emerge before our eyes by the end of this year. This magnificent integrated iron and steel complex will provide the state with more than 3 million tons of steel a year, with 20 percent of the steel billets rolled into 500,000 tons of seamless steel tube. After the completion of the second phase, the plant will double its steel output and will raise its production capacity of hot and cold rolled steel by more than 4 million tons. Thus, the Baoshan steel plant will save much foreign exchange for the state by turning 80 percent of its steel billet output into rolled steel, which we used to import in the past, achieve better economic results than that achieved before the second phase is completed, and make still greater contributions to the four modernizations of the country. As pointed out by a central leading comrade, people will have a more profound understanding of the great significance of the Baoshan steel plant project a few years from now.

CSO: 4006/382

## ECONOMIC MANAGEMENT

### PRC-OWNED FACTORIES RUN ON COOPERATIVE BASIS

OW101206 Beijing XINHUA in English 1143 GMT 10 Feb 85

[Text] Tianjin, 10 Feb (XINHUA)--More than 11,000 industrial and 58,000 service businesses owned by the state are now run on a cooperative basis, according to the national economic conference now in session here.

These are small businesses which are now making little profit or running at a loss.

Reports at the meeting indicate that the new method has helped increase state revenue and the workers' pay.

Collectives or individual managers may now rent state-owned businesses on contracts for up to 5 years. After paying the rent and taxes, the collectives may retain whatever is left.

The businesses continue to be state-owned, but the new managers have full autonomy in production, management and business operations.

Experiments are also being made to transfer state-owned businesses to collectives or individual managers. These will become collectively-owned when the contractors have reimbursed the businesses' fixed assets and the operating capital.

One successful example cited at the meeting was a small restaurant in Beijing, which used to be deficit-laden before it was leased as a collective undertaking to a couple in the second half of last year.

By the end of the year, the couple had paid about 2,400 yuan in tax and rent. Their net income was 4,100 yuan.

In Shenyang, a major heavy industrial center in northeast China, individual managers have leased 11 state-owned factories.

One is a motor oil pump factory with 147 workers, which made only 30,000 yuan in the first half of last year.

Things have changed quickly since Ling Fangyou, 41, won a public bidding to run the factory in June. He trimmed the factory's seven departments to three, and signed economic responsibility contracts with each worker.

The factory earned 126,000 yuan in the second half of the year.

Ling is running the factory for 3 years. He is obliged to pay a rent of 60,000 yuan in the first year, 80,000 yuan in the second and 120,000 yuan in the third.

In return, he gets 30 percent of the factory's annual profits after paying rent and taxes.

CSO: 4020/115

5 March 1985

## ECONOMIC MANAGEMENT

## ENTERPRISES TO HAVE MORE FUNDS AVAILABLE

OW081734 Beijing XINHUA in English 1646 GMT 8 Feb 85

[Text] Tianjin, 8 Feb (XINHUA)--Chinese enterprises will get more money at their disposal this year, according to a spokesman for the Ministry of Finance here today.

At the national economic conference now in session, the ministry announced three measures to facilitate renewal of equipment and promote technological progress in some key enterprises.

They are:

--raising the depreciation rate of fixed assets for some key enterprises this year: the current rate of 4.3 percent is so low as to make it difficult to renew equipment and improve technological standards. The rate will be raised gradually because of limited state financial capabilities;

--enterprises will be allowed to include in production costs money spent on new test instruments and key equipment worth up to 50,000 yuan (about \$US17,850) each, if these are needed to develop new products or improve product quality;

--reducing regulatory taxes for some advanced enterprises with the aim of enabling them to retain more profits.

CSO: 4020/115

## ECONOMIC MANAGEMENT

### BRIEFS

URBAN COMMERCIAL REFORMS--The national forum on urban commercial reforms ended in Guangzhou yesterday. In his summation Commerce Minister Liu Yi said that the basic task for 1985 is to shift the focus of our work to market regulation centered on reforms, so as to consolidate and develop the excellent situation in the market. On urban commercial reforms, the minister called for separating the functions of government and enterprises and strengthening the functional role of commercial administration departments. It is necessary to give more decision-making power to enterprises so as to invigorate them. It is necessary to properly reform the business system of state-run commercial enterprises and to reform the pricing system according to the unified arrangements of the central leadership. It is necessary to further reduce the varieties of planned commodities and to expand the role of market regulation. Li Yi hoped that commercial departments at all levels would supply marketable products which are well received by the masses to the market and expand the delivery and sale of the products in various forms to meet the needs of the masses. [Text] [Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 20 Jan 85]

SHANDONG COMPANY CONSOLIDATION--Li Zhen, deputy secretary of the provincial CPC committee and vice governor, pointed out at the provincial forum on the reform of the economic structure: We must not rush headlong or demand uniformity in sorting out and consolidating companies but should adopt various methods in line with actual conditions. That may cause a delay in the work sorting out and consolidating companies when conditions do not permit. Sorting out and consolidating various categories of companies is an important step to streamline administrative procedures, delegate power to lower levels, and enliven the enterprises. Comrade Li Zhen emphatically pointed out: Reform of the economic structure is a primary and central task of the entire party as well as a long-term and complicated work. Organs in charge of the structure reform work are the permanent organs and the functional departments of governments at all levels and they should participate in drawing up policy decisions on the reform of the economic structure. The CPC committees and governments at all levels should insist on the principle of streamlining staff and the procedures of promoting efficient personnel in their work to promote talented personnel with a spirit of pioneering work so that they can strengthen the organs for leading the structure reform and the leadership over the work of structure reform. The provincial forum on reform of the economic structure was held in Zibo City Hotel on 1-5 February. [Excerpts] [Jinan Shandong Provincial Service in Mandarin 2300 GMT 7 Feb 85]

CSO: 4006/382



## FINANCE AND BANKING

### GUANGXI HOLDS FINANCIAL WORK CONFERENCE

HK120456 Nanning Guangxi Regional Service in Mandarin 1130 GMT 8 Feb 85

[Text] At the recent regional conference on financial work, Comrade Wang Zhuguang, vice chairman of the regional people's government, said that the focus of the conference should be on analyzing the current situation, unifying our understanding, studying policies and measures, and arranging this year's financial work and revenue so as to turn the conference into a meeting to set a new starting point in changing the region's financial status.

In his speech delivered at the conference on the region's finances, Comrade Wang Zhuguang pointed out that the current trends in economic development and the prospects for financial work are good. Along with the implementation of the decision of the 3d Plenary Session of the 12th CPC Central Committee on further carrying out reform of the economic structure focusing on the urban economy, the timely communication and implementation of Document No 1 of the central leadership for 1985, the readjustment of rural production structure, the reform of the system of assigned and monopolized purchase of farm products, and free and open marketing of farm and sideline products all have played a very important role in enlivening the economy and developing production. Only by developing production will it be possible to improve the financial situation.

Comrade Wang Zhuguang held that despite some difficulties in the region's finances this year, there are also many favorable conditions. On the one hand, all leaders at all levels will concentrate their efforts on economic work; on the other hand, all policies have been further relaxed and perfected. Last year the region held three economic work conferences to formulate a series of policies and measures on industry, agriculture, finance, trade, science, and education. The recent rural work conference held by the regional CPC committee formulated new policies and measures in accordance with the essence of Document No 1 of the central leadership. It can be anticipated that the further implementation of these policies and measures this year will play an active role in unleashing the initiative of the broad masses, in enlivening the economy, and in opening up various avenues for making money.

Comrade Wang Zhuguang pointed out that the only way out in overcoming financial difficulties is to develop production, to raise economic efficiency, and to increase income. It is necessary to rely on our own efforts to overcome

financial difficulties, and to eliminate the practice of eating from the same big pot in economic work. It is necessary to avoid such practices as asking for funds from the higher authorities frequently. All localities must give full play to their own superiorities, broaden sources of income and reduce expenditures, and make joint efforts to overcome financial difficulties.

Comrade Wang Zhuguang also stressed that it is necessary to further strengthen management and plug loopholes. He said: Last year some enterprises in the region failed to achieve good economic results as their cost increased, failed to fulfill the task of changing losses into profits, and failed to achieve synchronous growth in production, profits, and taxes. At present some areas and units are lax in financial discipline and have not yet established a sound system. Some units, under the pretext of reform, have arbitrarily reduced or remitted their taxes and retained profits and taxes to build their own treasuries. Some units have wantonly issued money and material objects. All these mal-practices must be resolutely eliminated.

CSO: 4006/380

FINANCE AND BANKING

TREND TO BUY GOLD FOR INVESTMENT INCREASING

OW121740 Beijing XINHUA in English 1612 GMT 12 Feb 85

[Text] Beijing, 12 Feb (XINHUA)--Gold jewelry is bought more for keeping than for ornaments in China, said the People's Bank of China today. This trend will continue, the bank says.

Since the ban on sales of gold jewelry was lifted in October 1982, 14k to 18k jewelry has dominated the market. But since the latter half of 1984, pure gold has sold faster than any other jewelry, accounting for over 65 percent of sales.

Rings increased from 2 to 4 grams to 5 to 7 grams and necklaces from 4 to 6 grams to 7 to 10 grams.

Gold jewelry sales have been increasing since October 1982. Sales in the first half of 1984 were 3.7 times those in the same period of 1983. After prices were reduced on 1 July, sales in the third quarter soared 7.5 times over the third quarter of 1983 and show no sign of abatement.

Buyers are no longer only older people and the very rich but increasingly the young and middle-income families. More peasants are coming to cities to buy.

Formerly only a few big cities such as Beijing, Shanghai and Guangzhou sold gold jewelry. Now coastal areas and cities in the interior also sell.

To cope with increased demand, the People's Bank of China and Ministry of Light Industry have increased producers from 15 to 100. Production this year is expected to be about 20 times 1984's. Shops will be set up in some county towns. Gold content will rise, and the bank will organize production of small gold pieces and ingots for sale.

CSO: 4020/114

## FINANCE AND BANKING

### GUANGXI CONCLUDES REGIONAL FINANCE CONFERENCE

HK130646 Nanning Guangxi Regional Service in Mandarin 1130 GMT 12 Feb 85

[Excerpts] The regional work conference on finance concluded today in Nanning. The main purport of this conference was to act in the spirit of the 3d Plenary Session of the 12th CPC Central Committee, to analyze the financial and economic situation and to seek a common understanding on it, to study correct measures and to strive for making a fundamental turn for the better in the region's financial situation.

The conference summed up the region's financial work in 1984, determined a new system of financial management, and examined this year's budget.

The conference held that in 1984, the region made fairly good achievements in financial work. The region overfulfilled the revenue target and has made its expenditures basically meet the development requirements in various undertakings. Generally speaking, however, the economic results achieved were still rather poor, and the financial work still faces difficulties.

The conference urged that in the 1985 financial work, the region must seriously act in the spirit of the decision of the 3d Plenary Session of the 12th CPC Central Committee and the central Document No 1 of this year. We must further correct the guiding ideology of financial work. We must strive to promote production, actively develop financial resources, seriously carry out financial reform, strictly enforce financial discipline, strengthen the building of the financial ranks, improve the work style and handling methods of the leadership, and do well in various undertakings.

The conference put forward specific and feasible measures for developing resources and production; invigorating the economy; developing financial resources; correctly handling distribution relations in various areas; and fully mobilizing the initiative of various localities, departments, units and workers.

The conference has also decided that the financial departments should support the region's development of cigarette and sugarcane production. The departments should arrange by stages and in groups the distribution of subsidies to the region's 47 subsidized counties at an earlier date so as to help these counties put an end to their economically backward situation at an earlier date.

FINANCE AND BANKING

NEED FOR ADAPTABILITY IN HEBEI RURAL AREAS DISCUSSED

HK120345 Beijing CHINA DAILY in English 12 Feb 85 p 4

[Text] China has maintained a state monopoly on the marketing of grain and edible oil for more than 30 years. This policy has played an active role in stabilizing prices.

But recently, policies regarding grain and oil have become more flexible, and thus the state monopoly system must be changed.

That is the argument put forward by Wang Yunfang and Chen Ying of the financial bureau of Hebei Province in an article published by the journal FINANCE AND TRADE ECONOMY. Excerpts follow:

Since 1979, China's agriculture has been growing at an annual rate of 7 percent. Output of grain in 1983 was 380 million tons, a 7.5-percent increase over the previous year.

In the past, the state found it difficult to collect or purchase grain from farmers. Now farmers find it hard to sell grain.

With rising living standards, many people are eating more meat, poultry, eggs, fish and milk products, and consumption of grain as a staple is gradually decreasing.

A state monopoly for purchasing and marketing grain and oil was justified by China's huge population and slow growth in grain production. In the rural areas, each farmer is allowed to keep a fixed amount of grain, and food coupons are issued in towns and cities.

This policy is necessary in a country with an almost self-sufficient economy. But, today, when the situation has changed and farmers find it difficult to sell, store or transport their grain, the state monopoly no longer effectively aids growth of the rural economy.

The state monopoly system for grain and oil has a direct bearing on the whole population, and an indirect bearing on all the facets of the national economy. Reforms must be carefully considered.

Before talking about reforms of the monopoly system, it must be remembered that farmers have been paying the government agricultural taxes in grain instead of cash. In future, the duties paid in grain will be changed to agricultural taxes in money, but before such a change, the question of the state monopoly system must be solved.

The state monopoly on the marketing of grain and oil was instated in the early 1950's, after the land reform had been completed nearly all over the country. To keep city dwellers and people engaged in other trades supplied with grain and oil, the government instated the monopoly system.

Ever since the party's Third Plenum of the 11th Central Committee in December 1978, grain and oil are sold at three prices; the price at which farmers sell their fixed quotas to the state; the price farmers sell their surplus grain to the state, which is 50 percent higher than the quota price; and the market price which is even higher than the surplus price and varies according to the market.

To carry out the reform of the state monopoly system, farmers should be first allowed to keep a portion, or all, of the grain they are required to sell to the state. Farmers must pay a fixed tax for the grain they keep, because they can sell such grain in the market at a much higher price than the quota price. They can pay either in cash or in grain.

Farmers will also be allowed to choose what crops they want to grow, which will help them to get higher economic returns. This will encourage them to engage in grain and oil processing. Processed food will go to the market instead of raw grain and oil seeds.

The next step will require that all agricultural taxes should be paid only in cash, while the grain and oil produced by farmers be purchased at the market price, which is fixed by the state.

The government will then be able to do away with the system of supplying city dwellers with fixed amounts of grain and oil. In other words, there will be no more food and oil coupons. The urban population will have to pay market prices for their grain and oil. But the government will allocate subsidy payment to each person to make up for the loss incurred, since market prices are higher than those of originally government-allotted grain and oil.

The last step is to change completely the state monopoly system. To achieve this, the price structure of grain and oil must change. Parity between prices of agricultural and industrial products should be rationally adjusted.

Both the urban and rural population will buy grain and oil at the same price, and nobody will enjoy government welfare subsidies.

The last step is the most difficult. Changes in grain and oil prices can only be carried out gradually and should be synchronized with reforms in the whole national wage and price system.

## FINANCE AND BANKING

## RENMINBI DEVALUED AGAINST U.S. DOLLAR

OWI30941 Beijing XINHUA in English 0107 GMT 3 Jan 85

[Text] Beijing, 3 Jan (XINHUA)--This morning the state administration of exchange control adjusted and published the renminbi exchange rates against the following convertible currencies:

Currency	Unit	Exchange rates (in rmb yuan)	
		buying	selling
A. dollar	100	227.69	228.83
Can. dollar	100	212.02	218.08
D. fl	100	78.20	78.60
N. kr	100	30.59	30.75
Sw. kr	100	30.97	31.13
S. fr	100	106.77	107.31
Stg.	100	320.90	322.50
U.S. dollar	100	280.27	281.67
HK. dollar	100	35.82	36.00

"Rates against other currencies published last time remain unchanged."

CSO: 4020/114



## FINANCE AND BANKING

### SICHUAN PROPOSES 1985 FINANCE, TAX TASKS

HK071019 Sichuan Chengdu Provincial Service in Mandarin 2300 GMT 5 Feb 85

[Text] At a recent provincial conference on finance and tax work, the responsible person of the provincial government affirmed the new achievements made over the past year on the provincial finance and tax front, and set out the province's finance and tax work tasks for 1985. The responsible person urged the province to do well in the reforms, to master new ways of financial management, to develop new financial sources, to expedite the accumulation of capital, to distribute and utilize the capital in a rational way, and to improve economic results so as to help and serve the vigorous economic situation.

In 1985, the financial and tax departments must strive to do the work well in the following areas:

The departments should further rectify their ideology of financial management and establish correct thinking on the economy. In the wake of changes in the economic situation, the departments should gradually put an end to the outmoded, traditional concepts and work style. Also, the departments should learn and master the way of developing new financial sources, as well as managing and utilizing them. They should correctly handle the relationship between reform and financial capability, between centralization and decentralization, between the whole and the part. They should also correctly handle the relationship between unity and flexibility in terms of policy implementation, and between invigorating the economy and strengthening supervision. They should also diversify the financial sources, while managing and using capital well.

The departments should further the reform of financial and tax structures. In connection with the "Decision of the CPC Central Committee on Reform of the Economic Structure" and the state's principle of reforming the financial structure, the departments should reform the province's financial structure in the area of supervision over cities, prefectures, and autonomous prefectures, and fully mobilize the initiative of various fields. The departments should grasp well the second stage reform of substituting taxes for delivery of profits, and strengthen the financial management of enterprises and their vitality. In accordance with the principle of adopting both lax and strict measures, the departments should revise the regulations and rules on finance and taxation, so as to promote the economic development.

The departments should further grasp well the work of developing new financial sources and reducing expenditure, and successfully accomplish the finance and tax work. They should further improve their ideology and work style, and do well in the work by making innovations. By depending on governments at various levels, they should strengthen their leadership over the work. They should actively cooperate with the departments concerned in order to publicize the work well, so that everyone will understand, support, and concern himself with the work.

CSO: 4006/380

FINANCE AND BANKING

BRIEFS

**ZHEJIANG BANK LOAN AID**--Agricultural banks at all levels in Zhejiang have actively supported the readjustment of production structure in rural areas. In 1984 the amount of loans extended to town and village enterprises exceeded 4.9 billion yuan, accounting for more than 80 percent of the total amount of agricultural loans extended throughout the province. It was 2.23 times the previous year's figure. Most of these loans went to town and village enterprises engaged in food processing, animal feed production, light and textile industries, manufacture of building materials, and housing construction. In 1984 agricultural banks in the province also extended loans to more than 600,000 specialized households to help them produce meat, poultry, eggs, milk, fish, fruits, vegetables, and edible fungus, and promote the development of commodity centers for raising milch cows and poultry, planting tangerines, and producing eggs. [Text] [Hangzhou Zhejiang Provincial Service in Mandarin 1000 GMT 12 Feb 85]

**JIANGSU RURAL REFORM**--The Jiangsu Provincial Agricultural Bank held a press conference yesterday. At the conference, a responsible comrade of the bank said that the banking work in rural areas was very successful last year, and that the loans extended for use in reforming the rural production structure totaled 9.71 billion yuan, showing a 69.4-percent increase over the 1983 level. This responsible comrade added: Last year the total amount of rural people's personal savings in our province was close to 4 billion yuan and, for the first time, exceeded the total of personal savings in urban areas. The amount of rural people's personal savings was more than 100 million yuan in Changshu, Tongshan, Rudong, Jiangdu, and nine other counties. [Text] [Nanjing Jiangsu Provincial Service in Mandarin 2300 GMT 12 Feb 85]

**SHANDONG INSURANCE DEVELOPMENT**--Shandong Province has made great developments in the insurance business. The province has opened 37 categories of insurance business in the country and undertakes 4.9 billion yuan of economic responsibility. The province has opened 12 categories of insurance business and earned \$9.28 million. Over the past year, the province compensated over 45 million yuan for domestic disasters. In 1984, the province compensated a total of \$2.26 million for disasters abroad. [Summary] [Jinan Shandong Provincial Service in Mandarin 2300 GMT 8 Feb 85 SK]

**TIANJIN FINANCIAL TARGETS**--Tianjin Municipal Government held a financial work conference from 3 to 7 February. The conference defined that the revenue target of 1985 will increase by 6.1 percent over 1984. [Summary] [Tianjin City Service in Mandarin 0030 GMT 8 Feb 85 SK]

NEI MONGGOL RURAL DEPOSITS--At the end of 1984, the total sum of savings deposited in the banks by the people in both rural and pastoral areas throughout the autonomous region surpassed 686 million yuan, a 17.8 percent, or approximately 100 million yuan, increase over the 1983 figure. [Summary] [Hohhot Nei Monggol Regional Service in Mandarin 2300 GMT 4 Jan 85 SK]

SHANXI 1984 REVENUE--Shanxi's financial revenue in 1984 was 2,666.47 million yuan, overfulfilling the year's quota by 8.43 percent. The province had a surplus of revenue over expenditure. The main reason for this good result was that production developed, output value rose, and the financial and tax departments did a good job of work. [Summary] [Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 5 Feb 85 HK]

XINJIANG PRODUCTION-CONSTRUCTION CORPS--The gross industrial output value of the Xinjiang Production and Construction Corps for 1984 was 1.33 billion yuan, an all-time high and also an increase of 9.85 percent over 1983. Last year, while grasping economic restructuring, the corps unceasingly developed new products. At a time when the old products were unmarketable, some textile plants arranged the production of such new products as fine cloth, cloth used for sofa covering, and gabardine to meet the needs of the market. In accordance with the peasants' desires, the machinery plants under the corps manufactured such new products as diesel vehicles for rural use and small trailers for rural use. In 1984, four products of the corps won the national superior product prize, eight products of the corps were awarded the titles of ministry-level and bureau-level superior products, and 12 new products were awarded the title of regional superior product. [Text] [Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 6 Feb 85 HK]

EXPORT GOODS PRODUCTION--Beijing, 10 Feb (XINHUA)--The People's Construction Bank of China will grant loans of 110 million yuan this year to help upgrade 400 bank officials today. Most of the loans will be used to help improve the quality of frozen food and fur coats, after treatment of drawnwork and packaging of export goods. The factories to receive the loans are expected to increase their foreign exchange earnings by about \$US100 million a year, bank officials added. [Text] [Beijing XINHUA in English 0915 GMT 10 Feb 85]

INTERREGIONAL BANKING SYSTEM--Wuhan, 12 Feb (XINHUA)--China's biggest inter-regional banking group has been set up here last Sunday, according to the municipal officials. The Yangtze Banking and Trust group of corporations is composed of industrial and commercial banks in 13 cities along the Yangtze River, from Chongqing in Sichuan, through Wuhan in Hubei, Jiujiang in Jiangxi, and Nantong in Jiangsu down to Shanghai. The group will provide joint loans, investment, leasing, information, consultancy and other services. Their cheques will be cashed in any industrial and commercial bank in the 13 cities. [Text] [Beijing XINHUA in English 1607 GMT 12 Feb 85]

CSO: 4006/380

MINERAL RESOURCES

GANSU'S LI ZIQI SPEAKS AT NONFERROUS METAL COMPANY RALLY

HK061426 Lanzhou Gansu Provincial Service in Mandarin 0430 GMT 6 Feb 85

[Text] In 1984, our province reached an all-time high in the gross non-ferrous metal industrial output value and in the gross output value of 10 kinds of nonferrous metals. They were 19 percent and 5 percent respectively more than in the preceding year. The amount of profits was 34 percent more than the preceding year. Our province also completely fulfilled the other state technological and economic quotas.

On 2 and 3 February, the Lanzhou Company of the China Nonferrous Metals Industrial Corporation held a rally to commend 74 advanced collectives in invigorating the nonferrous metal industry, including the smeltery of the Jingchuan Nonferrous Metal Company; and 99 pioneers in invigorating the nonferrous metal industry, including (Liu Zhongronon) of the (Baiyun) Nonferrous Metal Company and (Wang Fengjiu) of the Northwest Copper Processing Plant.

Li Ziqi, secretary of the provincial CPC committee, and Chen Guangyi, governor, successively spoke at the rally. They congratulated the advanced collectives and advanced individuals on their achievements in the non-ferrous metal industry. They expressed the hope that all workers, cadres, and scientific and technological workers on the nonferrous metal front throughout the province will make sustained and redoubled efforts, will be bold in opening up a new path, and will make new contributions toward the invigoration of the nonferrous metal industry in Gansu.

CSO: 4006/368

5 March 1985

## MINERAL RESOURCES

## BRIEFS

LIAONING NEW MINERAL DEPOSIT--The fourth geological team of the Liaoning Provincial Geological Bureau has discovered a sodium bentonite [na ji run tu 6871 1015 5191 3387 0960] deposit in Heishan County, Liaoning, which is so far the largest in China. The deposit covers an area of 4,500 meters long and 1,000 meters wide. Its capacity is 80 million tons, which can be mined for 200 years. Sodium bentonite is an important supplementary material in oil prospecting, pellet smelting, and in the production of light and textile industries and animal feed. [Summary] [Shenyang LIAONING RIBAO in Chinese 19 Jan 85 p 1 SK]

JILIN WOLLASTONITE DEPOSITS--Changchun, 9 Feb (XINHUA)--Chinese geologists have found large deposits of wollastonite for metallurgical, ceramics and coating materials industries in Lishu County, Jilin Province. The deposits of the white, monoclonic mineral in shallow geological formations amount to about 10 million tons and will help end China's import of the mineral. Plans have been made to exploit 5,000 tons this year. [Text] [Beijing XINHUA in English 0854 GMT 9 Feb 85 OW]

CSO: 4020/114

INDUSTRY

PRC METALLURGICAL INDUSTRY CARRIES OUT RECTIFICATION

HK110657 Beijing JINGJI RIBAO in Chinese 6 Feb 85 p 3

[Article by Li Dongye, minister of Metallurgical Industry: "Party Rectification Has Straightened Out the Guiding Line for the Development of the Metallurgical Industry"]

[Text] The party rectification of the organs of the Ministry of Metallurgical Industry has achieved great successes in seeking unity of thinking, rectifying the style of work, strengthening discipline and purifying the party organizations by closely centering on the general goal and general task set by the 12th Party Congress and maintaining close links with the reality of the organs of the ministry. The close combination of the party rectification with the reform has pushed ahead the economic development, and in the year 1984, the ministry overfulfilled all the production quotas of the state plan. The steel production output of our country reached over 43 million tons, ranking fourth in the world. The 1984 steel production had five characteristics: 1) Steel production developed harmoniously and steadily; 2) the quality of the steel products showed steady improvement and there was a bigger increase in the variety of the steel products in 1984 than in 1983; 3) remarkable achievements were made in saving energy and increasing production and the large and medium-sized steel enterprises of the whole country together saved more than 1.2 million tons of standard coal; 4) a synchronous increase was made in profits and production. The annual total output value increased by 8.1 percent and the realized profits increased by 10 percent; 5) the situation in safety and environmental protection showed improvement.

During the party rectification, we first eliminated the "leftist" pernicious influence and summed up the historical experiences and lessons and always concentrated our efforts on straightening out the guiding ideology of vocational work. As a result, we mainly solved four questions:

1. To develop steel industry, we must rely on the present enterprises and take the road of tapping the latent power of enterprises and transforming enterprises. We have gradually got a deeper understanding of this question. Since the readjustment of national economy, the steel industry has been facing the lack of funds and energy, and the problem that the quality and variety of steel products do not conform to the needs, as well as the further intensification of the contradiction that the supply of steel products falls short of

demand. Under such circumstances, the metallurgical industry can neither vie with energy whose supply falls short of demand in the national economy or with transport for investment, nor vie with agriculture and light industry for energy. The metallurgical industry must also try in every way to increase the output of steel products which are urgently needed by the country and provide the country with good steel products. This situation means that we can only rely on the present enterprises, carry out readjustment, improve management, carry out innovations and transformations and work hard to tap the latent power of the enterprises. In 1983, we overfulfilled, 2 years ahead of schedule, the steel production task set by the "Sixth 5-Year Plan," the realized profits increased by 89 percent and the total energy consumption dropped by 6.3 percent. This has made us realize more deeply that the present enterprises have great potential indeed. Since the beginning of the party rectification, we have again studied the general goal and task set by the 12th party congress, which is to quadruple the total industrial and agricultural output value of the whole country by the end of this century, studied the instructions on the development of metallurgical industry given by the leading comrades of the central party committee, and have summed up the experiences in tapping the latent power of old enterprises and transforming the old enterprises in these few years. We have also further emancipated the mind, persisted in reform, accelerated transformation and created a new situation in the metallurgical industry. During this period, Premier Zhao inspected Anshan steel works and said that in recent years, the metallurgical industry has been forced to find a way out, that is to transform, to tap latent power, to increase variety, to improve quality and to reduce consumption. This is a way to enable us to spend less money and achieve immediate results in a relatively short period. In the future, we should firmly rely on the present basis to carry out technical innovation and technological transformation and some necessary reconstruction and extension in the metallurgical industry as well. Premier Zhao's speech has greatly raised our understanding of this question. Although we have been taking this road for the past few years, we have actually been forced to take it due to the circumstances and we did not realize that it was a new road leading to the development of the steel industry. Through study, the broad masses of the cadres of the enterprises, undertakings, and organs of the ministry have further realized that science and technology are developing fast, so only by constantly transforming the enterprises can we tap their latent power. The big and small steel enterprises built in the past 35 years are our footholds and starting points. From now on, we will continue to take this road not only when we have less investment, but also when we have more investment in the future. We will not only continue to take this road during the period of the Sixth 5-Year Plan and the Seventh 5-Year Plan, but also rely on this road to give us reserve strength in the 10 years after the Seventh 5-Year Plan.

2. We must resolutely stress improving quality, increasing variety, saving energy and reducing energy consumption, improving environment, and increasing economic results. The leading comrades of the central party committee have time and again put stress on these questions.

We have made some progress in our work concerning these questions, but our work still lags far behind compared with the economically and technologically advanced countries. Through the party rectification which has straightened out the



guiding ideology of our vocational work, we have further realized that quality first is an important policy indeed. In order to solve the quality problem and the variety problem, besides greatly strengthening management, greatly increasing the output of low-alloy steel and alloy steel, and preventing "eating a radish in a hurry without washing it," fundamentally speaking, we must transform the present outdated equipment and backward technology as well as the product inspection methods. At present, the quality of many products does not suit the needs of the consumers, this situation must be changed as soon as possible. We have already made this work part of the technological transformation plan of the Seventh 5-Year Plan. In the same way, it is also an arduous task to save energy and reduce energy consumption and to protect and improve environment. This work should also be further guided and carried out. In a word, we must accelerate technological transformation.

3. We must make full use of the two kinds of resources. In the past, we carried out construction under the circumstances that the country was closed to international intercourse for quite a long time, so we first built mines, then built steel works. After proposing the policy of opening the country to the outside world, the central party committee has specifically proposed the policy of "making use of the two kinds of resources," which has enabled us to further emancipate our mind. We must change the past methods, and in the future, we will not unconditionally carry out our production from ores to steel rolling. Some steel works can import some ores. In a word, we must proceed from actual conditions.

We must implement the input-output contract system on a trade basis, under which the following things are contracted: 1) the stable growth of the national steel production output and the production output of the steel products under the state unified distribution system. 2) The improvement of the products and the increase of product variety. 3) A reduction of the energy consumption. 4) The general economic results, the general rate of progress, and the general investment in the capital construction and technological transformation. 5) An increase in economic results. We should ensure that this contract system will be fully carried out, ensured, and inspected at various levels with one level ensuring another level, and establish the economic responsibility system based on the combination of economic responsibility and profits at all levels. In implementing the responsibility system, the Ministry of Metallurgical Industry should shoulder economic responsibility up for the state and down for the enterprises.

At present, the broad masses of cadres of the government organs under the ministry have unified their thinking on the question of relying on the present enterprises and taking the road of tapping the latent power of enterprises and carrying out technological transformation in enterprises in the development of the steel industry. Their enthusiasm has been greatly increased and they are now full of vigor and are determined to consolidate and develop the achievements of the party rectification and work well in the reform of the economic structure. They are also determined to simplify administration and delegate powers and further improve their style of work so as to serve the enterprises and the production front, to successfully quadruple the steel production output, and to make great contributions to the creation of an overall new situation in the construction of socialist modernization.

## INDUSTRY

### GUANGDONG INDUSTRIAL PRODUCTION INCREASES IN JANUARY

HK121544 Guangzhou NANFANG RIBAO in Chinese 8 Feb 85 p 1

[Report: "A Fine Situation in Guangdong's Industrial Production in January"]

[Text] The situation in our province's industrial production in January was very good. The gross industrial output value increased by 39.3 percent over the same period last year, and the output of one-fourth of the light industrial products increased by more than 100 percent.

Our province's industrial production in January was characterized by its high growth rate and an across-the-board output increase, with the light industries taking the lead. According to statistics, the gross industrial output value of the whole province in January reached 3.84 billion yuan, up by 39.3 percent over the same period of last year, which is an all-time record of the highest monthly growth rate. The statistical breakdown is as follows: The output of the industrial enterprises owned by the whole people increased by 33.9 percent, that of the industrial enterprises owned by collectives increased by 51.4 percent, and that of industrial units of other economic types increased by 48.1 percent. The output of the 13 prefectures and cities, excluding Shaoguan City and Maoming City, all increased by more than 30 percent. Among other industrial departments, the light recorded the highest growth rate. In January, the total output value of the light industry reached 2.83 billion yuan, an increase of 43.6 percent. The growth in the production of high-class durable consumer goods was particularly rapid. The output of about one-fourth of the 35 light industrial products whose output is comparably increased by more than 100 percent. For example, the output of television sets increased by 450 percent, that of recorders increased by 290 percent, that of electric fans increased by 230 percent, that of cameras increased by 160 percent, and that of home refrigerators increased by 140 percent.

The main reason for the rapid industrial growth in January lay in the reform of the economic structure, which has invigorated the enterprises, improved their quality and capacity, and aroused the initiative of the enterprises and the workers. At the same time, the measures to implement the open-door policy and to strengthen economic relations with other provinces and areas have also brought the advantages of our province into better play. In addition, the development of rural and township enterprises has contributed to the rapid growth in the industrial production of collective-owned enterprises.

CSO: 4006/382

## INDUSTRY

### LIGHT INDUSTRY DEVELOPMENT TO BE ENCOURAGED

OW191848 Beijing XINHUA in English 1831 GMT 9 Feb 85

[Text] Beijing, 9 Feb (XINHUA)--China is set for an unprecedented plan of technical transformation of light industry, says Light Industry Vice-Minister Wang Wenzhe.

Addressing a national conference of directors of light industry here this afternoon, Wang said more than 2,000 technical transformation projects will be carried out before 1987, most using foreign technology and equipment. For these the state will increase investment.

Provincial governments will also invest more and undertake more projects in the same period.

Foreign exchange used will far exceed that in the previous 6 years, he noted.

Wang said the ministry's 73,000 enterprises in 44 industries were responsible for satisfying 35 percent of domestic purchasing power. But because of backward technology, their products fall short of rising demand in both quality and variety.

Key industries for technical transformation are: foodstuffs, paper, home electric appliances, leather, household chemicals, plastics, glass, metal products, ceramics, light industrial machinery, clothes and furniture.

He said by 1987 when the plan is realized, the technological level of China's light industry will have risen considerably.

A number of new products will appear. Quality will rise and energy consumption will be cut.

The ministry has set up the China Light Industrial Corporation for foreign economic and technical cooperation to mediate between industry and bankers and technology manufacturers.

The state has given priority to consumer goods since 1978, and between 1978 and 1984, \$US700 million of hard currency was spent on imported technology and equipment to develop light industry, far exceeding that spent in the previous 28 years, he noted.

Between 1978 and 1984, a number of large raw material plants were built, including an imported production line to produce 50,000 tons of alkylbenzene, another to produce 70,000 tons of trio sodium phosphate annually, (both are raw materials of washing powder) a large imitation leather factory and production lines and key equipment for the clothing and plastics industries. These have made great profits, Wang said.

CSO: 4020/115

## INDUSTRY

### LIGHT INDUSTRY TO INCREASE 1985 OUTPUT

OW112218 Beijing XINHUA Domestic Service in Chinese 0234 GMT 10 Feb 85

[By reporters Ji Naifu and Chen Yun]

[Text] Beijing, 10 Feb (XINHUA)--The national conference of directors of light industry departments and bureaus is currently underway in Beijing. The meeting disclosed that there would be a big increase this year in the output of some quality households electric appliances of famous brands and other light industrial products which are in short supply in the market.

The products which are in extremely short supply include refrigerators of the "Wanbao," "Xuehua," and "Xiangxuehai" brands; washing machines of "Bailan," "Shuixian," "Youyi," and "Wuyang" brands; and "Huasheng"-brand electric fans. The goods in relatively short supply include bicycles, furniture, beer, motorcycles, plastic products, and famous-brand canned goods. The state has attached great importance to solving the problem. The State Council has instructed the departments concerned to guarantee the supply of raw and semi-finished materials and energy for light industry to the best of their ability and to increase investment. Experts hold that in addition to the above guarantee, the technical transformation of light industry and the import of foreign technology in recent years have markedly improved a great number of light industrial enterprises, providing a more dependable guarantee for the expansion of production capacity and the improvement of product quality as this year's economic structural reform continues to develop in a deep-going manner.

However, the experts said in analysis: One of the salient features of our country's consumer market at the present is its rapid development, with the demand for medium- and high-grade products increasing quickly. For example, the supply of color television has already fallen short of demand before the black-and-white televisions are popularized in the country. Other household electric appliances also show such a tendency. Thus, some new light industries which started late still cannot keep up with the rate of rise in people's level of consumption in a short time. We should not be too optimistic about the situation of the market for light industrial goods because the gap between supply and demand is still quite large.

It is understood that the light industrial departments are also planning to continue to develop and put into production a large number of new products urgently needed on the market to gradually satisfy consumer need for various levels of consumption and various tastes. They include alcohol-free beer, pollen cosmetics, stainless steel kitchen equipment and appliances, various kinds of household vacuum cleaners, synthetic carpets, and lamps of new designs.

INDUSTRY

MINISTER ENCOURAGES GROWTH IN LIGHT INDUSTRY

OW101225 Beijing XINHUA in English 1215 GMT 10 Feb 85

[Text] Beijing, 10 Feb (XINHUA)--China's light industry will make every effort to ensure an over 10 percent growth this year, Minister Yang Bo said here today. He said that enterprises under his ministry must go all out to produce more quality goods and those items in short supply.

The government would give priority to light industry in terms of raw materials and power supply, he said.

While increasing production, Yang said, China had imported a certain amount of color television sets, refrigerators, and other such durable goods to satisfy domestic needs.

"From a long-term point of view, however, we should mainly rely on our own for consumer goods in short supply," the minister said. "We should be able to do this with a few years of endeavor."

At present, Yang Bo said, the domestic demand was so heavy that even certain slow-selling goods were enjoying a brisk market.

He predicted continued big increases in purchasing power since all middle and primary school teachers would receive a pay rise, reform of the wage system would increase the earnings of government workers, and the income of peasants would go up still further this year.

As a result, he said, more people were seeking luxury items and greater variety while the rural life style was being urbanized.

He said the government was increasing funds for upgrading light industry and importing new technology and equipment to raise the production of consumer goods.

CSO: 4020/115

## INDUSTRY

### BRIEFS

**YUNNAN INDUSTRIAL OUTPUT VALUE**--The province's gross industrial output value for January was 1.02 billion yuan, an increase of 10 percent over December last year and an increase of 28.2 percent over the same period last year. [Summary] [Kunming Yunnan Provincial Service in Mandarin 2300 GMT 7 Feb 85 HK]

**LIAONING INDUSTRIAL OUTPUT VALUE**--According to statistics compiled at the end of 1984, 32 counties and districts throughout Liaoning Province surpassed 100 million yuan in their annual industrial output value. Of these areas, Haicheng, Fuxian, Jinxian, and Jixi counties surpassed 300 million yuan in this regard. Gaixian, Yingkou, and Xinjin counties surpassed 200 million yuan in this regard. [Text] [Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 11 Feb 85 SK]

**HIGH JANUARY INDUSTRIAL OUTPUT**--Beijing, 8 Feb (XINHUA)--The whole year's work depends on a good start in spring. January 1985 saw good news of industrial growth pouring in from all localities in the country. Figures collected by the State Statistical Bureau are: China's January total industrial output value shot up to 64.57 billion yuan, an increase of almost 13 billion yuan, or 24.5 percent, over the corresponding period of last year. The growth of light industry was especially prominent, with output up 26.4 percent; the growth of heavy industry was also strong, with output up 22.3 percent. The output of coal, power, oil, and most of heavy industrial products also increased by large margins. Total output of energy resources reached 67.64 million tons, up 14.5 percent over last January. The output of steel, rolled steel, 10 nonferrous metals, synthetic ammonia, chemicals, cement, plate glass, mining equipment, electric power generating equipment, tractors, motor vehicles, locomotives, and other products all increased by more than 10 percent over the corresponding period of last year; some were even up 100 percent. It has been reported that at present electric power is still in great demand in industrial production and that much is still to be desired in terms of production safety. All departments concerned must take measures to solve these questions. [Excerpts] [Beijing XINHUA Domestic Service in Chinese 1311 GMT 8 Feb 85]

**JILIN INDIVIDUAL INDUSTRY**--Individually-run industrial and commercial businesses have developed rapidly in urban and rural areas of Jilin Province. By the end of 1984, the number of individually-run industrial and commercial households reached 204,426, a 48.9-percent increase over 1983. [Text] [Changchun Jilin Provincial Service in Mandarin 2200 GMT 3 Feb 85 SK]

GANSU INDUSTRIAL OUTPUT--The total industrial output value of Gansu Province in January was 886 million yuan, an increase of 14.63 percent over the same period last year and the highest on record for the month. Growth of collective industry greatly exceeded that of industry under ownership by the whole people, and growth of light industry again surpassed that of heavy industry. Output of 61 out of 100 major products rose compared with the same period last year. [Summary] [Lanzhou Gansu Provincial Service in Mandarin 2300 GMT 6 Feb 85 HK]

SHAANXI INDUSTRIAL OUTPUT--The total value of Shaanxi industrial output in January was 1.38 billion yuan, a rise of 31.4 percent compared with the same period of last year. All prefectures, cities, and industrial and communications departments registered growth. The highest growth was recorded in the electronics and machine-building industries, which respectively showed rises of 48.3 percent and 45.8 percent. The first and second light industry systems respectively recorded increases of 29.1 percent and 25.1 percent. [Summary] [Xian Shaanxi Provincial Service in Mandarin 2300 GMT 7 Feb 85 HK]

XINJIANG INDUSTRIAL OUTPUT--Xinjiang's industrial output value in January exceeded 500 million yuan for the first time, reaching 505 million yuan. This was a rise of 28.17 percent compared with the same period last year. The value of light industry rose by 16.58 percent and that of heavy industry by 40 percent. The output value of industry owned by the whole people was 447 million yuan, while that of the collective industry was 56 million yuan, respectively rising by 25.66 percent and 60 percent over the same period last year. A responsible person of the regional economics commission told reporters that despite the rise in output value, the daily progress plan was not fulfilled during the month. [Summary] [Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 8 Feb 85 HK]

ZHENGZHOU ECONOMIC SUCCESS--The total industrial output value of Zhengzhou City in 1984 was 4,692,850,000 yuan, a rise of 5.8 percent over 1983. The mayor and vice mayors have regularly gone down to grassroots units to grasp problems and sum up experiences. A number of outstanding plant managers and party secretaries have emerged. [Summary] [Zhengzhou Henan Provincial Service in Mandarin 1030 GMT 8 Feb 85 HK]

HAINAN JANUARY INDUSTRIAL PRODUCTION--Hainan reached an all-time high in industrial production in January this year. The region's gross industrial output value in January reached 141 million yuan, an increase of 39.34 percent over January last year. The region's electronics industrial output value in January this year amounted to 20 million yuan, accounting for 14 percent of the region's gross industrial output value and recording an increase of 700 percent over January last year. The region's cotton textile industrial output value in January was 4.71 million yuan, an increase of 15 times over January last year. Output of sugar, crude salt, leather goods, cement, and iron ore also increased greatly. [Summary] [Haikou Hainan Island Service in Mandarin 0400 GMT 11 Feb 85 HK]

QINGHAI INCREASES INDUSTRIAL OUTPUT--In January, according to the provincial Statistics Bureau, the gross industrial output value of the province reached more than 124 million yuan, an increase of 21.6 percent compared with the same period last year. Of this value, heavy industry increased by 22.6 percent, while the light industry increased by 20.7 percent. [Summary] [Xining Qinghai Provincial Service in Mandarin 1100 GMT 11 Feb 85 HK]



JIANGSU JANUARY INDUSTRIAL OUTPUT--Jiangsu Province's industrial production continued to grow in January of this year. According to statistics provided by the Provincial Planning Committee and the Provincial Economic Committee, the province's total industrial output value reached 6.351 billion yuan in January, or 31 percent more than the same period of 1984. Some 80 of the 100 major products evaluated by the province registered growth to various degrees. The electronics products registered the highest growth among the 80 major products. The production of microcomputers, cassettes recorders, and record players has doubled in the same month. [Text] [Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 12 Feb 85 OW]

TOP INDUSTRIAL CITIES--Beijing, 9 Feb (XINHUA)--The annual industrial output value of four cities each hit 10 billion yuan in 1984, the PEOPLE'S DAILY reported here today. The four cities are Chongqing, Suzhou, Wuxi, and Hangzhou. The total annual output value in Chongqing reached 11.5 billion yuan, a 16-percent rise over the 1983 figure; that in Suzhou and Wuxi hit 10.9 billion yuan, 23 percent and 27 percent more than their respective 1983 figure. About 89 kinds of products in Wuxi remain competitive at the provincial and national markets in quantity, quality, and price. The full labor productivity rate in Hangzhou rose 10 percent over the 1983 figure. Six other cities--Shanghai, Beijing, Tianjin, Shenyang, Wuhan, and Guangzhou, hit 10 billion yuan in industrial output value. [Text] [Beijing XINHUA in English 1153 GMT 9 Feb 85]

CSO: 4020/115

CONSTRUCTION

CHEN XITONG VIEWS BEIJING SECTOR RENOVATION PROJECT

OW111229 Beijing XINHUA in English 1135 GMT 11 Feb 85

[Text] Beijing, 11 Feb (XINHUA)--A 200,000-square-meter area in an old section of Beijing will be completely renovated with joint government and local initiatives, today's BEIJING DAILY reports.

The area takes in Niujie (Cattle Street) where most of Beijing's 180,000 moslems live and a nearby sector with its old houses, narrow streets, twisting lanes and monumental traffic jams.

Aiming to turn the area into a new commercial and cultural center, the project will involve tearing down old houses not worth preservation, constructing apartment houses, widening the streets, and building more schools, shops, restaurants, theaters and other such facilities.

The project will be funded to the tune of 400 million yuan by the Ministries of Culture and Commerce, the Central People's Broadcasting Station and the Chinese Youth Tourism Agency.

The local district government and a collectively-run corporation will be responsible for completing the whole project.

Mayor of Beijing Chen Xitong described the program as an excellent example of cooperation between government institutions at different levels and a collective unit, the paper reports.

He said he hoped more units would join the drive to rebuild the ancient city. "It is more difficult to reconstruct an old city than build a new one," he said.

CSO: 4020/114

## CONSTRUCTION

### BRIEFS

ANHUI CONSTRUCTION TEAMS--According to ANHUI RIBAO, Anhui Province's construction enterprises conducted all-round reforms in 1984. The reforms were aimed to shorten construction schedules, lower construction costs, and improve construction quality and investment returns. The construction enterprises actively pushed for construction bidding and construction contracts, instituted various forms of contract responsibility systems, broken regional barriers, and opened more construction markets. Economic results improved markedly as a result. According to incomplete statistics for 31 state-run construction enterprises, total output value and workers' income increased in 1984, while workers' education also improved. Some designing units and construction enterprises in Anhui Province have broken regional barriers and actively opened markets at home and abroad. According to incomplete statistics, construction teams with a total force of 13,137 construction workers and designers engaged in various construction projects in Tanzania, Madagascar, Algeria, Kuwait, and Sri Lanka in 1984. Construction teams also engaged in construction projects in Shenzhen, Xiamen, Shanghai, Jiangsu, Guangdong, Xinjiang, and Xizang. They have won a good reputation for the province. [Excerpts] [Hefei Anhui Provincial Service in Mandarin 1100 GMT 12 Feb 85]

SUPPLY FLOW AID--Tianjin, 9 Feb (XINHUA)--Building materials trade centers will appear in larger cities this year to form a national supply network, the current national economic conference was told here today. Two-tier state and local allocation has hindered distribution, despite overstocking. Smoother flow is now needed with the building boom in both urban and rural areas, said State Building Materials Administration Deputy Director Wang Jianxing. The scheme will start in Beijing, Tianjin, Shanghai, Shenyang, Dalian, Wuhan, Guangzhou, Shenzhen, Xiamen, Ningbo, Chongqing, Chengdu and Xian, covering 62 cement factories and 14 plate glass factories. Other cities will follow suit. The trading centers will mainly handle the above-state quota products and stockpiled building materials. In 1984 China produced 120 million tons of cement and 40 million standard crates of glass. A record 700 million square meters of rural housing and 100 million square meters of urban housing were build last year. [Text] [Beijing XINHUA in English 1434 GMT 9 Feb 85]

CSO: 4020/114

DOMESTIC TRADE

JINGJI RIBAO ON DEVELOPMENT OF TRADE ASSOCIATIONS

HK280615 Beijing JINGJI RIBAO in Chinese 10 Jan 85 p 3

[Article by Jiang Yiwei [5592 0001 5517]: "Democracy in Socialist Economy and Trade Association"]

[Text] With the progress of the reform of the urban economic structure, the organization of trade associations has begun in our country. In the last few years, because of the promotion by leading comrades of the CPC Central Committee and the State Council and out of the objective needs, a number of national trade associations and a greater number of local trade associations have come into being throughout the country. In line with the development of the situation, competitive trade organizations which were set up under the sponsorship of the trade union system have gradually developed into trade associations. These associations have done a lot of work in the last few years; they have explored ways of separating the functions of government and enterprises and developing horizontal links in the economy, and have gained much precious experience. But after all, what is the nature of the organization of trade associations? What is their relationship with the government organs in exercising the power of trade management? What is their relationship with the enterprises? With regard to these, and similar questions, there is a lack of consistent understanding. Therefore, it is necessary to carry out further studies in terms of theory and practice, so that this very significant form of organization can play a still greater role in the reform of the urban economic structure. I venture to put forward some rough personal ideas for discussion.

The Essence of China's Reform of the Economic Structure Is To Bring Into Full Play the Socialist Democracy in Economy

At the 3d Plenary Session of the 12th CPC Central Committee, the party made the decision on reforming the economic structure, which is a great program for reforming the whole economic system with emphasis on the cities. The "Decision" points out: Reform of China's economic structure means reforming, on the premise of adherence to the socialist system, a series of interrelated links and aspects of the relations of production and the superstructure that are not suited to the development of the forces of production; it wants to build a socialist economic structure with Chinese characteristics that is full of vigor and vitality so as to promote the growth of the forces of

production. The "Decision" also points out that whether or not the enthusiasm, initiative, and creativity of the urban enterprises for production and operation as well as that of their 80 million workers and staff members can be brought into full play has a vital bearing on our reform. It also points out: Socialism with Chinese characteristics should, first and foremost, be able to instill vitality into the enterprises. Therefore, strengthening the vitality of the enterprises is the central link in the reform of the economic structure. The "Decision" requires that with this key in mind, it is necessary to handle two types of relationships satisfactorily. That means we should extend the decisionmaking power of enterprises owned by the whole people by establishing a correct relationship between them and the state, and safeguard the status of the workers and staff members as masters of the enterprises by establishing correct relationships between them and their enterprises. The "Decision" also points out that correct relations between the state and the enterprise and between an enterprise and its workers and staff are the essence and basic requirement of the restructuring of the national economy as a whole with the focus on the cities.

To sum up, I hold that an important essential point of the reform of the economic structure is to bring into full play the socialist democracy in our economy. This was pointed out by Comrade Deng Xiaoping long ago. In 1978, in his extremely important speech "Emancipate the Mind, Seek Truth From Facts, and Unite Together and Look Forward," he clearly pointed out: "Democracy is an important condition for emancipating the mind." With regard to the reform of the economic structure, he put forward his views from the angle of giving play to democracy in economy. He said: "I wish to talk specifically about the question of developing democracy in economy. At present, in the system of economic management, power is excessively concentrated. Decentralization should be gradually and boldly practiced. Otherwise, it will not be beneficial to the development of the enthusiasm of the state, the localities, the enterprises, and the laborers, nor will it be beneficial to the modernization of economic management and the enhancement of labor productivity. The localities, enterprises, and production brigades should be allowed to have more decisionmaking powers in terms of operation and management." He continued to emphasize that the most urgent problem at that time was to expand the decisionmaking powers of the factories, mines, enterprises, and production brigades, so that every factory and brigade could give full play to its initiative and creative spirit. He also pointed out that it was necessary to protect the democratic rights of the individual workers and peasants, including the rights of democratic election, democratic management, and democratic supervision, and to make every worker and peasant responsible for production by doing their best to find suitable ways to accomplish their tasks.

The practice of reform in the past 5 years has demonstrated that these guiding ideas of Comrade Xiaoping's are absolutely correct. The decision of the 3d Plenary Session of the 12th CPC Central Committee regards the establishment of the correct relationships between the state and the enterprises and between the enterprise and its workers and staff members and the mobilization of the enthusiasm, initiative, and creativeness of the enterprises and their staff as the essential ingredient and basic requirement

in the reform of the economic structure, which has reflected these guiding ideas of Comrade Xiaoping. The establishment of a socialist economic system which is full of vigor and vitality means in effect bringing into full play the socialist democracy in economy. In other words, the system of democratic centralism is employed in the economic field, which will change the past practice of emphasizing centralization one-sidedly and neglecting democracy, resulting in the ossification of the economic system as a whole.

The socialist democracy in economy needs to be gradually perfected from the lower levels upward. From the point of view of levels, the lowest level of democracy in economy is to set up a system of leadership within the enterprises which integrates democracy with centralism, which can give full play to the role of the staff representative congress in democratic management, and can protect the status of the workers and staff members as masters of the enterprises, and at the same time, on the basis of democratic management, the system of factory director assuming full responsibility should be established, which will exercise the power of decisionmaking and unified command. The democratic management of enterprises by workers and staff members is determined by the nature of the socialist enterprises, and it is also the basis for the socialist democracy in economy. After the establishment of the status of the enterprises as relatively independent commodity producers and operators, it is necessary to carry out earnestly the democratic management of the enterprises by workers and staff members, or else it will be impossible to fully mobilize the enthusiasm, initiative, and creativeness of the broad masses of millions of workers and staff members.

The democratic management of enterprises is the basis for the socialist democracy in economy. In order to further perfect and develop democracy in economy on this basis, it is also necessary to establish democratic trade management with enterprises as units, that is, to set up trade associations. The trade association and the government's department for trade management will together form an upper-level relationship of democratic centralism. On the basis of democratic management of trades, it is also possible to establish a still higher level of relationship of democratic centralism, which will be constituted by organizations such as economic associations with trade associations as constituent units and by a city's general economic management departments. By then our socialist democracy in economy will be improved, which will give further play to the superiority of socialism and will promote still greater development of the social productive forces.

#### Separating the Functions of Government and Enterprises and the Democratic Management of Trades

The 3d Plenary Session of the 11th CPC Central Committee had already pointed out that in reforming the economic structure, it was necessary to overcome the phenomenon of the party replacing the government and the government replacing the enterprises. The 3d Plenary Session of the 12th CPC Central Committee further pointed out explicitly that conducting reform in accordance with the principle of separating the functions of government and enterprises and streamlining administration and instituting decentralization was an urgent requirement in enlivening the enterprises and the national economy as a whole.

In the past, the state exercised too much, and too rigid control over the enterprises. The main reason for this was treating the system of ownership by the whole people as something equivalent to direct management of enterprises by state organs, with the result that enterprises become appendages of administrative organs. The enterprises were thus managed according to administrative systems and by administrative means, with the result that the vigor and vitality of enterprises were inhibited. Separating the functions of government and the enterprises does not mean that the government is no longer responsible for administering the enterprises or that it severs its relations with the enterprises, but rather it makes clear its responsibility toward the enterprises, granting them independent decisionmaking powers in terms of independent operation, transforming and developing themselves, and being responsible for their own profits and losses. Therefore, the government must delegate power to the enterprises, and must grant them the independent powers of operation and management which are due to them. Thus, "streamlining administration" can be realized through "delegating powers," and many things which should not be and are not necessarily to be administered by the government will be simplified. The above principles are all explained and stipulated in the decision of the 3d Plenary Session of the 12th CPC Central Committee. However, there are still some problems at present concerning the correct interpretation and implementation of these stipulations.

The first problem is to whom the powers are to be delegated.

In the past few years, because the traditional practice of administering enterprises through administrative means has not been corrected satisfactorily, the State Council's instruction of "protecting competition and promoting association" has not been implemented well in realizing industrial reorganization and association of enterprises, and various departments and localities have organized, through administrative means, many companies which are administrative in nature. In particular, in carrying out structural reform in the last 2 years, some administrative organs of the government have changed their names and reorganized into one or several companies. These companies, which are enterprises in appearance, are in effect still administrative organs of the government. If the original lack of separation of government from enterprises was manifested in "government replacing enterprises," then, after the change of names, "enterprises replacing government" was practiced, which in effect did not change the essence of lack of separation of government from enterprises. Therefore, in implementing streamlining administration and instituting decentralization, the problem of to whom the powers are to be delegated arises. If these companies are regarded as enterprises and powers are delegated to them, it will amount to no decentralization at all. This is a question under universal discussion in various places throughout the country.

The 3d Plenary Session of the 12th CPC Central Committee pointed out explicitly: "The national and local corporations are economic associations set up for better economic development and mutual benefit of enterprises concerned. They must be enterprises and not administrative organs, and must not follow old practices, but should master modern methods of scientific management."



It is stated very clearly here that corporations must be enterprises and must not be administrative in nature. Furthermore, an important premise for corporations as economic associations is that they should be established on the basis of meeting the needs of the development of the national economy and on mutual needs of enterprises concerned. They should not be established rigidly through administrative means like "putting things into a bag," with the result that enterprises without economic associations or mutual needs are formed into corporations. According to the requirements of the "Decision," these administrative corporations which are not in conformity with the objective requirements of the law of economic development have to be reorganized or abolished. This is another important question under general discussion in various places.

Here it is necessary for us to analyze: Why was it that in past practice in streamlining administration, governmental organs were generally reformed into administrative corporations? Apart from the traditional practice of administering enterprises directly through administrative means, an important reason was that no clear distinction was made in terms of responsibilities and functions between government and enterprises. Which things should be handled? Which things should not be dealt with? Who should be responsible for handling these things which are not to be handled by one's own unit? All these questions were not clear and definite, and then administration was streamlined simply for the purpose of streamlining administration.

A socialist country plays the role of leading and organizing the activities of the national economy as a whole. The implementation of streamlining administration and decentralization does not mean that government organs will no longer have the function of managing the economy. What is called decentralization primarily means that the powers of operation and management are delegated to the enterprises, and along with decentralization there is still the problem of retention of power. From now on, the central organs and the government organs at the provincial level will, generally speaking, no longer administer the enterprises directly, and the administrative power will be delegated to the central cities or counties, but in these central cities or counties, there should still be administrative organs in charge of administering the enterprises owned by the whole people. These administrative organs should not directly run and manage the enterprise as in the past, but they have the powers to control the direction of development of the enterprises, to assign state plans to the enterprises, to appoint or dismiss from office the principal responsible people, and so on. These functions and powers should not be delegated. In the past, these functions and powers which should have been exercised by the government were given to the administrative corporations, which was an important factor causing the confusion of the nature of the corporations.

As streamlining administration and decentralization is implemented in accordance with the principle of separating the functions of government and enterprises and giving the power of operation to the enterprises which should have this power, the work of the government is naturally greatly reduced correspondingly. This is the main effect of streamlining administration. At the same time, it must be noted that in the past, the government



organs also took charge of a lot of public affairs concerning enterprises of the same trade. These affairs are not directly related to the functions of the government, and they cannot be handled and settled by individual enterprises. For example, the appointment or dismissal of leading cadres should be handled by the administrative organs in charge of the enterprises, but the training of leading cadres has nothing to do with their functions and powers, and it can be handled by any educational institution. Other affairs, such as labor competition, evaluation and competition of quality, the exchange and popularization of technology and management experience, certain collective welfare matters (such as hospitals for workers and staff members) also have no direct connection with the functions and powers of the government. In implementing streamlining administration, all these public affairs can be done away with. In the past structural reform, some government organs were simply abolished. Because some public affairs which were handled by government organs could not be handled by individual enterprises, the administrative corporations were thus formed to deal with these affairs. Now, since it is stipulated that corporations should not be administrative organs, all the corporations should be enterprises in nature and should be established voluntarily on the basis of mutual benefit. Consequently, many corporations can be formed through free association within the same trade. Since there are many corporations in the same trade, who is going to handle the public affairs which have a bearing on the trade as a whole? This is still a question.

The only rational way to solve this question is to establish free and self-governing trade associations joined voluntarily by the enterprises concerned. These associations will handle the public affairs concerning the same trade. Trade associations are different from administrative corporations in terms of nature and tasks. They are not economic entities, nor government organs, and they do not exercise the functions of the government. Thus, the malady of lack of distinction between government and enterprises will no longer exist.

#### The Nature and Tasks of the Trade Association

Since the trade association is not an economic entity nor a government organ, what is the nature of this organization? In my opinion, the trade association is a democratic and self-governing social organization (or it may be called a social economic organization) which is formed voluntarily with enterprises as individual units. It is different in nature from academic bodies for the purpose of studies and exchange of management experiences such as enterprises management association, quality management association, and so on.

The characteristics of the trade association are voluntary association, democracy, and self-government. Its constitution is to be worked out by the member enterprises, its leading body is to be elected by members, and its expenses are mainly to be borne by its member enterprises in the form of membership fees. Enterprises are free to join the association and are also free to withdraw from it. The one enterprise may join one or several relevant associations. For example, a textile machinery factory may be a

member of a textile association as well as a member of a machinery association. However, once it has joined an association, it must abide by the constitution of the association, and perform its due duties while enjoying its due rights.

The tasks of a trade association consist mainly of two aspects: The first is to provide services to its members, including the organization of the collection and exchange of data and information, the propagation and popularization of advanced technology and management experience, the organization and development of the training of qualified people, the organization of the coordination between production, supply, and marketing, the development of competitions and evaluation, the running of undertakings for collective welfare, the promotion of economic and technological cooperation with outside units, protection of the lawful rights of enterprises through legal means, mediation of disputes between enterprises, and so on. The second aspect is to act as a bridge between the government and the enterprises, and as a consultant to the government. For example, when working out policies and decrees related to a certain trade, the government may seek the advice of the relevant trade association; on the other hand, a trade association may also take the initiative in putting forward proposals or criticism concerning certain measures adopted by the government. In addition, the government may entrust the trade association with the task of drafting documents such as development plans, prices of products, technological standards, and so on, which are to be examined and adopted by the government for promulgation. The trade association is a social organization, and it cannot replace the administration of enterprises by the government. Therefore, the government should have trade administration departments to exercise the power of government. However, the trade association can act as the representative of its member enterprises, and help to form a relationship of democratic centralism with the government's trade administration departments. The government's trade administration departments exercise the power of government over the enterprises, which manifests the aspect of centralism. But the government should allow full play to the democratic role of the trade association, so that the centralized decisionmaking of the government can be based on extensive democracy.

The trade association not only practices democratic management within its own organization, but also plays the role of practicing democracy in economy in its relations with the government. Therefore, it is an important form in giving play to the socialist democracy in economy. On this basis, I propose that our trade associations be uniformly called "trade association of democratic management" so as to reflect the characteristics of the socialist democracy in economy.

#### Bring Into Play the Role of the Trade Union in Promoting Democracy in Economy in Our Socialist Construction

Should the establishment of the trade association of democratic management as a kind of social organization to realize the socialist democracy in economy be examined and approved by the government? Should it have to be directed or led by the leading organs? This is a practical question which needs to be studied and solved at present.

At present, our country has not yet adopted an "organizational law of social bodies," and the establishment of the trade association of democratic management has to be examined and approved by a certain government department. However, examination and approval by a government department does not mean that the association has to be directed or led by the government departments. In the course of implementing the principle of separating the functions of government and enterprises and streamlining administration and decentralization, if the trade association of democratic management is to be directed or led by the government's trade administrative department or by some leading departments, it is very possible that a new form of lack of distinction between government and enterprises will emerge. In the structural reform, some government organs have changed themselves into administrative corporations, and they may also change themselves once again into trade associations, so that "government replacing enterprises" is changed to "enterprises replacing government," and is again changed to "associations replacing government." All this is harmful to the implementation of the principle of separating the functions of government and enterprises.

Practical experience in the past few years has demonstrated that those trade associations which have been formed voluntarily and which truly practice democracy and self-government all have great vitality. Their expenses and personnel system can be tackled by themselves, and they are flexible in organization and effective in practical work. If the trade association of democratic management is still administered by government departments, it is very possible that it will become an appendage of the government departments and will lose the characteristics of democracy in economy.

The trade union is a mass organization of the working class under the leadership of the party. In the historical period of building socialist modernization, the trade union shoulders the historical task of organizing and educating the broad masses of staff and workers in the struggle for the realization of the four modernizations. One of the important tasks of the trade union in an enterprise is to promote the democratic management of the enterprise by the staff and workers under the leadership of the CPC committee of the enterprise. This is a new development for the trade union of our country in the new historical period. However, is the task of the trade union limited only to promoting democratic management within the enterprises? In my opinion, the role of the trade union can be expanded to include the promotion of democracy in economy. It can promote not only democratic management within enterprises, but also democratic management of the trade as a whole. This is because the role of the working people as masters is not limited to enterprises, and the democratic management of trades is the extension of the democratic management of enterprises. The trade unions of enterprises are only the basic level organizations, and above them, there are trade unions of industries, and of localities, as well as the All-China Federation of Trade Unions. The trade unions of industries can promote democratic management of trades, and in the future, the trade unions of localities can also promote democratic management in the economy of cities.

Just as the trade unions of enterprises promote the democratic management of enterprises, the trade unions of industries promote the democratic management of trades, which do not substitute for the organizations of democratic management. As executive offices of the congress of staff and workers, the trade unions of enterprises serve the interests of the congress of staff and workers, and play the role of promoting the democratic management of enterprises. Similarly, the trade unions of industries can act as associated departments of the trade associations of democratic management and serve the trade associations of democratic management.

Assigning the important task of promoting the socialist democracy in economy to the trade union system means to give them a new historical mission, which will enable our trade unions to create a new path in the course of establishing a socialist system with Chinese characteristics. Practice will prove that doing things in such a way will not only bring into full play the role of trade unions in the new historical period, but will also play an important role in promoting socialist democracy in economy.

The decision of the 3d Plenary Session of the 12th CPC Central Committee points out: "The Chinese communists take the constant promoting of social development and progress as their historical mission. Our party led the masses of the people under reactionary rule in the past in making revolution to overthrow the old order. Under the socialist system with the people as masters of the country, our party has been leading the masses in conscientiously carrying out reforms and building China into a modern, powerful socialist country with a high level of culture and democracy."

A high level of democracy includes socialist democracy in economy. The reform of our economic structure will certainly further improve and develop socialist democracy in economy of our country. Establishing the trade associations of democratic management from the lower levels upward will be an important step in developing socialist democracy in economy.

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DOMESTIC TRADE

PRC REOPENS MARKET FOR MEANS OF INDUSTRIAL PRODUCTION

HK110945 Beijing ZHONGGUO XINWEN SHE in Chinese 1306 GMT 8 Feb 85

[Text] Tianjin, 8 Feb (ZHONGGUO XINWEN SHE)--A market which has been closed for more than 30 years--the market for the trading of the means of industrial production--will soon be reopened in the interior of China. The national economic work conference, which is being held here, has decided to establish a new materials trading center and to use it as an open market for the trading of the means of industrial production. The first step is to open the market for iron and steel, chemical industrial products, motor vehicles, and construction materials.

Since a long time ago, the means of industrial production have always been allotted and distributed by the state under unified plans. For a period, the economic circles in the interior of China did not regard them as commodities, and all trading in these goods was regarded as illegal trading. Now, through the overall economic reform, this rigid structure has been smashed. While improving the method of distribution under mandatory plans, the state departments in charge of distribution of materials have adopted positive measures to engage in market regulation and have established some materials trading centers.

At present, some 110 materials trading centers have been established by these departments in various localities, while others are still under construction. These trading centers, which are established in cities, have broken the bounds of different trades and departments and are carrying out extensive cooperation, with industry and trade as the main element. All productive enterprises and sales departments can engage in trading freely in these centers, and prices float according to the needs of the market. In the new market for iron and steel, chemical products, motor vehicles, and construction materials, all enterprises can erect boards to sell their products. They can also open shops to sell the products.

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DOMESTIC TRADE

BRIEFS

COLOR TV SET PRODUCTION--Beijing, 12 Jan (XINHUA)--China produced 1,006,000 color television sets in 1984, nearly twice as many as in the previous year. Although production of color television sets greatly increased last year, it still fell short of demand. According to a local forecast, Shanghai and Liaoning alone will need nearly 1 million sets this year. To meet market demand, the Ministry of Electronics Industry plans to greatly increase the production of color television sets this year. [Summary] [Beijing XINHUA Domestic Service in Chinese time not given 12 Jan 85 OW]

TECHNICAL FAIRS--Beijing, January 8 (XINHUA)--China's 241 technical fairs since 1978 have done 24 million yuan of business, said yesterday's "Guangming Daily." In the last three years alone 130 million yuan changed hands at 34 such fairs in Beijing, Wuhan, Shenyang, Dalian, Chongqing, Hangzhou, Xian and Chengdu. Technical consultants in Liaoning Province enabled customers to make 1.05 billion yuan in "nine months of last year," the paper said. In Zhejiang Province 1,613 rural associations run 45 one-year technical courses for 400,000 peasants. Town and rural enterprises now occupy some 2.7 million peasants, with 1.69 million households engaged in specialized family production. The town and rural enterprises last year made 13 billion yuan. [Text] [Beijing XINHUA in English 1650 GMT 8 Jan 85 OW]

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FOREIGN TRADE AND INVESTMENT

JAPANESE-CHINESE ECONOMIC COOPERATION ANALYZED

Beijing GUOJI MAOYI [INTERTRADE] in Chinese No 10, 27 Oct 84 pp 46-48

[Paper by Shibasaka Yukio, translated and summarized by Xu Mei [6079 2734], "Current Status of and Future Prospects for Japanese-Chinese Economic Cooperation: The Fourth in a Series of Papers Delivered at the Academic Exchange between the Foreign Trade Institute and the Nomura Research Institute"]

[Text] I. The Development of Japanese-Chinese Trade During 1983

In 1983, Japan's trade with China exceeded \$10 billion, which represented an increase of 12.8 percent over the previous year and made China Japan's 5th largest trading partner after the United States, Saudi Arabia, Indonesia and Australia. During 1983, China accounted for 3.3 percent (\$146.95 billion [as published]) of Japan's total exports, was the eighth largest importer of Japanese goods, accounted for 4.0 percent of Japan's total imports (\$126.39 billion [as published]) and was the sixth largest exporter to Japan. In terms of trade mix, over 90 percent of Japan's exports to China consist of steel, machinery, chemicals and synthetic fibers; one-half of Japan's imports from China are oil and coal; and approximately 80 percent of Japan's imports from China are the latter two commodities plus textiles and foodstuffs. The expansion of Japanese-Chinese trade is due foremost to the continuous efforts by China. At the same time, however, we must also recognize that China still confronts some problems in this process.

1. Port facilities are insufficient, and ship tie-ups are serious. The sharp rise in China's imports of steel and other products has exacerbated China's shortage of docking facilities.
2. Prices are unilaterally increased. This is due to China's current emphasis on economic results, but the lack of a unified export policy among the Chinese central government and localities inevitably creates chaos in Japan's domestic market and channels of circulation.
3. The decline in product quality is serious. Due to technological interchange with Japan, such Chinese exports as woolen, down and embroidered goods have shown great qualitative improvement. Conversely, however, traditional commodities like raw silk have deteriorated.

4. Delays in delivery, which affect contract fulfillment, obviously still persist. Moreover, in such cases, the necessity of informing the other partner as soon as possible is not sufficiently understood, and the reasons and responsibilities for the delays are not strictly and impartially investigated and affixed.

In terms of commodity mix, Japan's trade with China and Southeast Asia shows the following characteristics.

1. Like Indonesia, Malaysia and other countries that export raw materials to Japan, China enjoys a trade surplus with our country, unlike other Southeast Asian countries, which suffer large and growing imbalances in trade with Japan.

2. Because of these growing imbalances, Japan faces increasing demands for trade readjustment.

3. In recent years, South Korea, Taiwan and Thailand increased their imports from Japan primarily because of their growing market demand for Japanese machinery and equipment. And the direct cause of these countries' and regions' increasingly large trade imbalances with Japan is the vastly unequal exchange of machinery products. For example (according to Japanese statistics), in trade with Japan, South Korea suffered a deficit of \$1.99 billion, Taiwan \$1.89 billion and Thailand \$1.03 billion.

These machinery and equipment products are very energy efficient and sophisticated and are indicative of the fact that computers, office equipment, electronic components, numerical-control machinery and other high-tech products are replacing color televisions, automobiles and the like as Japan's major exports.

4. In 1983, relative to the total imports from Japan, machinery accounted for 28.1 percent in the case of China, 49.2 percent in the case of South Korea, 52.2 percent in Taiwan, 57.1 percent in Indonesia and 56.5 percent in Thailand. Thus China's machinery import mix is relatively low, and this is caused by China's import policy.

## II. Prospects for Japanese-Chinese Cooperation in the 1980s

For a long time, economic interchange between Japan and China has been largely limited to trade. In the future, however, direct investment will play an increasingly important role.

Direct investment involves the direct introduction of foreign capital and managerial practices, differs from trade and ultimately creates permanent economic relationships between the investor nation and the country that is the target of investment. Developing countries are very anxious to introduce foreign capital because they hope thus to (1) expand employment, (2) obtain a larger source of foreign exchange with which to expand exports and (3) obtain technology and technical know-how. Thus developing countries entertain great expectations in this area. In her current open-door



policy, China has adopted measures to import foreign capital aggressively in order to introduce advanced foreign technology and managerial practices. In view especially of the fact that China's foreign exchange reserves have reached \$14 billion, it is apparent that China's import policy involves much more than merely raising capital but rather has moved in the direction of introducing modern technology and technical knowhow.

Japan's foreign investment has expanded in several stages.

Japanese direct investment abroad began to leap ahead in the 1970s but prior to that remained below \$1 billion per year. The rise occurred suddenly in Fiscal Year [FY] 1972 (April 1972 through March 1973), when investment reached \$2.3 billion, and was dramatic again in 1973, when it reached \$3.5 billion. Although growth slowed for a while after the first oil crisis, the trend was not reversed, and during FY 1981, direct investment abroad leaped to \$8.9 billion, representing a 90 percent increase over the previous year and an all-time high. Actual growth in FY 1982 was somewhat lower than in 1981, but investment remained high, reaching \$7.7 billion.

In short, during the last decade, the growth rate for Japanese foreign investment has greatly exceeded that for her GNP. By the end of FY 1982 (late March 1983), total outstanding investment had reached \$53.1 billion. During this period, the manufacturing industry also showed a marked increase in its investment abroad, which rose by \$2.3 billion in FY 1982. Thus by the end of FY 1982, the industry's total outstanding investment abroad stood at \$17.0 billion. The countries receiving the largest amounts of Japanese investment are the United States (\$14.0 billion), Indonesia (\$7.3 billion), Brazil (\$3.5 billion), Australia (\$3.8 billion) and the United Kingdom (\$2.3 billion). In addition, such Asian-Pacific countries and regions as Hong Kong (\$1.8 billion), Singapore (\$1.4 billion) and South Korea (\$1.3 billion) also received large amounts of Japanese investment.

The future potential for Japanese foreign investment is also very great, because, while Japan accounts for 10 percent of the world's economy, her direct foreign investment comprises only 3.9 percent of her GNP, which is much lower than the U.S. level of 7.7 percent and the FRG level of 5.4 percent. On a per-capita basis, moreover, Japan's total outstanding investment averages only \$375, which is lower than the U.S. level of \$989 and the FRG level of \$605. These levels are obviously inconsistent with Japan's economic status.

In terms of substance, foreign investment by Japanese companies has not only increased in volume during the previous decade but has also undergone qualitative changes in motive, region, sectoral mix and form.

First come the motives of investment. In the past, the primary flow of Japanese foreign investment was directed toward production bases in developing countries in order to take advantage of these countries' cheap

labor and toward marketing bases centered in developed countries so as to expand sales thereto. Recently, Japan has markedly increased her foreign investment in order to eliminate friction with industrially developed countries, expand and ensure foreign export markets and consolidate production bases. In addition, investment by the Japanese manufacturing industry is motivated by the following considerations.

1. To expand sales, service and information gathering in the markets of investment-target and third countries.
2. To ensure supplies of raw materials, capital and goods.
3. To utilize cheap labor.
4. To avoid import restrictions by investment-target countries.
5. To diversify and internationalize the enterprises of those countries.
6. Other (for example, to take advantage of most-favored nation policies and preferential duty structures offered by the investment-target countries and to protect Japan's environment).

Second, the following changes have occurred in the regional focus and sectoral mix of Japan's foreign investment. Regarding regional focus, the Japanese manufacturing industry has reduced the ratio of its investment in Central and South America and the Asian-Pacific region while steadily increasing that in North America. Investment in the Asian-Pacific region is largely confined to supplements in existing production bases. In terms of sectoral mix, Japan has reduced the ratio of her investment in labor-intensive textile industries and increased that in the machinery, television, transport machinery and other processing and assembly industries. Because the manufacturing industry is Japan's largest exporter, the processing and assembly industries, which are Japan's most competitive sectors internationally, have increased their investment in North America very rapidly.

Third comes the form of investment. In industrially developed countries, especially in North America, Japan usually provides all of the capital in her own wholly owned enterprises, whereas in developed countries she normally invests through 50-percent joint ventures. In some countries where risk is high and the possibility of nationalization policies great, Japan is forced to reduce the ratio of her investment accordingly.

### III. Japanese Direct Investment in China

China makes a distinction in the form direct investment takes: jointly capitalized ventures, cooperative ventures, wholly-owned ventures, compensatory trade and the like. Among these, China is currently placing special emphasis on the development of jointly capitalized enterprises and has correspondingly completed a relatively large amount of legislation

that relates thereto and provides appropriate conditions therefor. From 1979, when the Joint Venture Law was formulated, through the end of 1983, China approved the establishment of 188 joint enterprises, including 105--or about 56 percent of the total--in 1983, and 1,047 joint ventures, which involve less risk and 255 of which were formed in 1983.

There are three reasons for the upsurge in foreign investment in China in 1983.

First, China has firmly implemented her open-door policy.

Second, China's economy has expanded rapidly in recent years, and the size and potential of her domestic market are becoming increasingly attractive.

Third, beginning with the formulation of the Regulations Relating to the Implementation of the Joint Venture Law in 1983, China has steadily completed her legislation on direct investment.

I predict that in the future foreign investment in China will show the following trends and prospects. First, there will be greater investment in (1) the modernization of equipment for the production of consumer durables and the spare parts therefor, (2) developing raw and semifinished materials and local advantages, (3) developing energy sources and relevant service facilities (transport, repair and the construction of hinterland bases) and (4) computers. Second, following the vigorous development of the special economic zones and the introduction of foreign capital, investment by Western enterprises will begin to catch up with that of overseas Chinese, who have hitherto been the principal foreign investors in China. Third, American firms will increase their investment in China. Ever since April 1984, when President Reagan visited China, economic relations between the United States and China have grown increasingly close, American companies have adopted an optimistic view regarding the risks involved in investing in China and the two countries are actively conducting substantive negotiations.

The following are some problems involved in investment in China and proposals for future reform.

Japan has invested in only a small number of projects for the following reasons.

1. Due to the differences in the social systems of the two countries, some Japanese investors believe that great risk is involved and thus have never considered direct investment in China.
2. China's social infrastructure is incomplete, and the prices for land, water and electricity are too high.

3. China's Joint Venture Law stipulates that the effective period for joint ventures shall be between 10 and 30 years. Japanese investors, however, believe that joint enterprises provide mutual benefit and thus should be permitted to continue as semi-permanent economic entities.

4. The approval process for joint enterprises is too long, and much time and energy are wasted in waiting for top-level organizations to reach agreement.

The issues about which Japanese are most concerned and the most typical problems in investment in China are as follows.

1. Specific measures relating to the effective periods for and expirations of joint ventures.
2. The amount of time required to obtain approval for joint ventures.
3. Specific measures providing preferential treatment in economic development zones in newly opened cities.
4. The possibility of marketing products domestically.
5. Whether or not a convertible international currency is available.
6. The quality of the labor force, and employment problems.
7. Problems relating to the protection of patent rights.
8. Regulations governing wholly-owned enterprises.
9. Problems relating to the remittances of profits and extra dividends.
10. The problems of raising funds.

If China can satisfactorily resolve these problems, Japanese-Chinese joint ventures will enjoy bright prospects for development.

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## FOREIGN TRADE AND INVESTMENT

### JOURNAL DISCUSSES REFORM OF FOREIGN TRADE SYSTEM

HK040811 Beijing JINGJI RIBAO in Chinese 24 Jan 85 p 3

[Article by Ji Chongwei [1323 1504 1218] and Meng Xiangang [1322 2009 0474]: "Further Reform of the Foreign Trade System"--passages within slantlines published in boldface]

[Text] In the future, within a certain period, a series of profound and important reforms will take place in our country's foreign trade system. Now, let us discuss our understanding of the reform of the foreign trade system.

#### I. A Scientific Summary of Historical Experience

Since the 3d Plenary Session of the 11th CPC Central Committee, in order to implement the policy of opening the country to the world and revitalizing the domestic economy, we have carried out a series of pilot reforms within our foreign trade system. Generally speaking, the essential features of the reforms are: First, we have expanded the authority of various localities, various departments, and some enterprises over foreign trade; second, we have combined, on an experimental basis, industry with foreign trade and technology with foreign trade; and third, in the special economic zones, Guangdong, Fujian, and other coastal provinces and cities, we have put into effect special, flexible policies whose specialness and flexibility differ in degree. These reforms have given some impetus to the development of our foreign trade. However, they have not enabled us to radically eliminate the maladies in our foreign trade system. In the past, we mainly focused our attention on the division of the authority over foreign trade operations between the central authorities on the one hand and the localities and departments on the other. We did not even touch on the question of how to turn the enterprises into the main body in foreign trade operations and we failed to carry out reforms in the light of the problems of the confusion of government and enterprise functions, the practice of "eating from the same big pot," and the disjunction between production and marketing. In addition, we also adhered too rigidly to convention. Consequently, these reforms failed to revitalize the enterprises or to make the overall management and regulation of foreign trade a success.

As a result of our practice over the years, we have gradually realized that the basic principle for reforming the foreign trade system should be the principle of simpler and decentralized administration, the application of the system of doing business through agents in foreign trade operations, and the combining of industry with trade, technology with trade, and import with export. The reforms carried out this time have been carried out precisely with this principle as a guide. The basic contents of this principle were repeatedly studied and then decided upon after we had comprehensively and scientifically summarized our country's experience in foreign trade over the past 30 years or more and, in particular, after we had analyzed and summarized our experience in the reform of the foreign trade system in the past 5 years and assimilated the experience of other countries. The reform carried out this time is essentially different from previous reforms in that, as a result of this reform, we have achieved great breakthroughs in properly handling the relations between the state's administrative departments and the foreign trade enterprises, in regulating foreign trade by means of economic levers, in establishing a system of responsibilities for foreign trade operations which combines responsibilities with rights and benefits, in facilitating the combination of foreign trade enterprises with research units and production enterprises, and in promoting rational competition between the foreign trade enterprises. The reform, which is in line with our present urgent need for economic development, will certainly give great impetus to the development of our foreign trade.

## II. A Concrete Example of Doing Things in Accordance With Economic Laws

Foreign trade is the circulation of commodities among countries. It is a result of the steady development of commodity production. Our production and foreign trade enterprises are producers and operators of socialist commodity production. In addition to being regulated and governed by the economic laws peculiar to socialism, they are also regulated by the general laws of commodity economy, such as the law of value, the law of supply and demand, and the law of competition. In the past, our understanding of the relevance of the latter laws was far from profound. In addition, our foreign trade system and our foreign trade policies did not conform, in many respects, to the general laws governing the production and circulation of commodities and the laws governing the development of international trade. In this way, the development of our foreign trade was adversely affected.

The orientation of the current reform, its underlying principles, and the reform measures adopted fully embody the spirit of the principle of doing things in accordance with economic laws and reflect the demand for commodity production and circulation. In order for the foreign trade enterprises to truly become relatively independent producers and operators of commodity production, with their own business decisionmaking power and economic benefits, it is necessary to separate government from enterprise functions, to make the enterprises independent of the administrative departments previously in charge of them, and to end the subordinative economic relations between them. The administrative departments in charge of them should make administration simpler and decentralized and fully arouse the foreign

trade enterprises' enthusiasm for foreign trade operations. In order to consciously exploit the relation between currency and commodities, to apply the law of value, and to more satisfactorily give play to the roles of such economic levers as prices, finance, taxation, and credit, it is necessary to change the substance of the planned management of foreign trade, to reduce the number of mandatory plans, and to extend the scope of guidance plans and market regulation. In order to arouse the production enterprises' enthusiasm for exporting goods, to directly understand the demand situation in the international market, to produce marketable products, and to buy the appropriate raw and processed materials and instruments for production, it is necessary to export and import goods through agents, to make the foreign trade enterprises, the production enterprises, and the consumers partners, with common interests, to let the producers and consumers be responsible for their own profits and losses, and to let the foreign trade enterprises provide services and promote the sales of goods. In order to put an end to monopolization and to uphold rational competition between foreign trade enterprises, it is necessary to allow consumers to freely commission agents to act on their behalf, to allow some foreign trade enterprises to execute, within the approved bounds, overlapping operations concerning the same commodities, and to allow the enterprises to transport and purchase the same goods from several areas simultaneously. In order to correctly handle the relations between production and circulation, to make production and marketing dovetail, and to enhance the competitive power of our export products, it is necessary to associate the foreign trade enterprises directly with the production enterprises or scientific research units. In conclusion, the purpose of the current reform is to change and put an end to the outmoded conventions and practices that hinder the development of foreign trade and, in accordance with the objective economic laws, to establish a foreign trade management system that is in line with our national conditions.

### III. Prominence Has Been Given to the Central Issue of Adding to the Vitality of the Enterprises

The foreign trade enterprises and the production enterprises play a dominant role in foreign trade. The key to the success of foreign trade lies in the question of whether or not these enterprises have vigor and vitality. In the past, we confused the ownership of the enterprises by the people with the state's direct management of the enterprises, we too rigidly and too thoroughly controlled the foreign trade enterprises, and the enterprises did not have the power, motivation, and drive to make their business a success.

The current reform is centered on the question of how to add to the vitality of the enterprises.

First, the reform stresses the separation of government from enterprise functions and simpler and decentralized administration, which essentially mean: Clearly distinguishing the functions and authority of the administrative departments in charge of foreign trade from those of the foreign trade enterprises in foreign trade management and operations, and letting all kinds



of foreign trade enterprises fully exercise their business decisionmaking power, on the condition that they are subject to the state's centralized administrative management, letting them become independent economic entities that are independent and responsible for their own losses and profits. In this way, we can create the major conditions for freeing the enterprises from the restrictions imposed by various departments and regions and for adding to the vitality of the enterprises.

Second, the current reform is to simplify the plans and to reduce the number of mandatory plans and quotas. In the future, the state will assign only those plans for the export and import of the few major commodities administered by the state. Regarding other commodities, the state will only assign quotas for the foreign exchange income to be derived from their export and quotas for the expenditure of foreign exchange in their import. After the reform, the mandatory plans will account for only 30 percent or less of the total number of plans, and guidance plans and market regulation will do the rest of the job. Actually, this is to let the foreign trade enterprises and production enterprises have greater decisionmaking power in production and operation. In this way, they can, according to the situations in the international and domestic markets, more flexibly handle the problems arising from production and operation, adapt themselves to the frequent changes characteristic of the international market, and create favorable objective conditions for giving play to their own vitality.

Third, the current reform prescribes the establishment of the system of doing business through agents. The foreign trade enterprises are to provide various services and to collect service charges. The units which commission them are to be responsible for their own profits and losses. The production enterprises and consumers can commission them freely. In this way, the production enterprises, foreign trade enterprises, and consumers will have heavier economic responsibilities to bear. The production enterprises, because of their direct participation in the competition in the international market, have to apply new technologies, improve business management, cut production costs, and improve their products' competitive power. On the other hand, the foreign trade enterprises, because of the competition both at home and abroad, have to discard their bureaucratic style and improve the quality of their services by every conceivable means. Since the economic interests of the industrial enterprises and those of the foreign trade enterprises are closely related, it is likely that they will find it necessary to jointly take conscious action to combine themselves. This reform will make the foreign trade enterprises and production enterprises feel some pressure and the need to improve their production techniques and business management. In this way, the enterprises will have the drive to maintain their vitality.

#### IV. Attention Has Been Paid To Strengthening and Perfecting Overall Management

The question of how to strengthen and perfect the state's management and regulation of foreign trade after the foreign trade enterprises have been revitalized and the organization and operation of export and import trade has been diversified is one that is of vital importance to the success or



failure of the reform. The current reform is to strengthen and perfect the overall management of foreign trade mainly in the following two respects:

/First, the strengthening of the administrative management of foreign trade./ In order to safeguard the state's interests, there must be centralized leadership and centralized management by specialized departments in foreign trade. In the past, as a result of the centralization of the power of operation in foreign trade, we also decentralized the administrative power in foreign trade. That is an important reason why there were so many departments responsible for external work. The Ministry of Foreign Economic Relations and Trade, because of its preoccupation with specific operations, could not properly concentrate its energy on making administrative management a success on the basis of the overall situation. The current reform clearly stipulates that after the separation of government from enterprise functions, the Ministry of Foreign Economic Relations and Trade and various local economic and trade administrative departments will be specially responsible for the administrative management of foreign trade. The Ministry of Foreign Economic Relations and Trade, as a representative of the state, is to be responsible for directing and managing the country's foreign trade and all types of foreign trade enterprises. Other ministries are not allowed to meddle with its work. In addition, we have also laid down the ministry's 10 major responsibilities in foreign trade administration. This is an important way of ensuring that we can put an end to decentralized administration and centralize administration anew in foreign trade.

/Second, devoting greater efforts to regulating things by economic means./ In the past, we too frequently relied on administrative means and we were not good at regulating and managing foreign trade by economic means. To regulate foreign trade by economic means is to indirectly regulate the enterprises' foreign trade operations by applying various economic levers, such as price, taxation, credit, and so on, which affect the enterprises' economic benefits. The current reform of the foreign trade system assigns a more important role to guidance plans and market regulation, thus creating conditions for giving play to the regulative role of economic levers. In addition, it has also been stipulated that the Ministry of Foreign Economic Relations and Trade should, in collaboration with other departments concerned, formulate and execute the measures for regulating and promoting foreign trade by economic means and, in the light of changes in the international and domestic markets and changes in exchange rates, announce and adjust them in a timely way. This helps the departments concerned to jointly formulate coordinated and consistent economic policies on the basis of the overall situation. This also helps us resolve the contradictions resulting from the varying degrees of strictness of the policies adopted by different departments. In the future, apart from administrative means, the state will principally use economic means to guide the foreign trade enterprises to operate in compliance with its demands and to ensure the fulfillment of its foreign trade plans.

The reform of the foreign trade system is a process of unremitting exploration and advancement. Although we have laid down the principles,

orientation, basic systems, and measures for the current reform, in the course of implementing and applying them, however, we will still encounter obstacles and problems. In view of the experience in past reforms, we should pay attention to the following points in the course of the current reform: First, it is necessary to properly publicize and explain things, to unify thinking, to profoundly understand the spiritual substance of the current reform, and to free ourselves from unnecessary doubts. The reform requires us to carry out adjustment. This may affect the division of labor in some departments, localities, and units, and their rights. In addition, we may also be required to change some traditional ways of doing things. However, we must start from the overall interests of the country and ensure the smooth reform of foreign trade and the foreign trade system. Second, some specific reform measures should accord with the reform. The plans for their execution and the administrative regulations must be well-coordinated, consistent, and in sets. Third, the reform should be enthusiastically, steadily, and gradually carried out. Some reform measures should be carried out successively, while others should be carried out simultaneously. It is necessary to make organizations and cadres at various levels prepare their work and thinking for all this.

We believe that, as a result of the steady in-depth development of the reform of our foreign trade system, a new situation will doubtless emerge in our foreign trade.

CSO: 4006/373

FOREIGN TRADE AND INVESTMENT

SICHUAN PARTY LEADER STRESSES OPENING TO WORLD

HK110237 Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 10 Feb 85

[Excerpts] A Sichuan provincial gathering to commend advanced collectives and workers in foreign affairs and tourism concluded on 10 February after 5 days in session. During the closing ceremony, responsible comrades of the provincial CPC committee and CPPCC Yang Rudai, Xu Chuan, and Li Peigen presented banners and citations to 219 advanced collectives and workers.

Provincial CPC Committee Secretary Yang Rudai made a speech. He put forward the following demands on work in foreign affairs and tourism: 1) Get a clearer idea on the importance of foreign affairs and tourism work in opening up to the world and straighten out the guiding ideology for professional work. 2) Vigorously carry out investigation and study and go into the practice of reform. 3) Carry out reeducation in wholeheartedly serving the people, and resolutely overcome and put right new unhealthy trends.

Comrade Yang Rudai said: On the question of opening up to the world, our guiding thinking is not that the work has been completed but that it must continue to advance. As far as Sichuan is concerned, we have only made a start in opening up to the world. We must all the more advance in big strides. The foreign affairs and tourism system is an important front in opening up to the world. We must dare to do away with those leftist, unrealistic old concepts, methods, and conventions that do not help in opening up to the world, and bring all our work onto the track of serving and being subordinate to the party's general task and goal. We must strive for a big breakthrough in opening up to the world, and especially in external economic and technical exchanges and in trade talks.

Comrade Yang Rudai said: Tourism is a component part of tertiary industry. It has many good points. We must base our effort on reality and protect and exploit the province's tourism resources in a planned and measured way, and do a good job in infrastructural construction for tourism. We must raise the quality of services and facilities to a new level and strive for still greater economic results.

CSO: 4006/373

## FOREIGN TRADE AND INVESTMENT

### SICHUAN TO HOLD INTERNATIONAL COOPERATION TALKS

HK250431 Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 24 Jan 85

[Excerpts] According to our reporter (Wang Jinghong) in Beijing, a press briefing on international economic and technological cooperation projects in Sichuan Province was held in the Great Hall of the People on 24 January. Governor Yang Xizong announced to Chinese and foreign guests that the provincial government has decided to hold the first Sichuan talks on international and technological cooperation and trade in Chengdu from 2 to 10 April. Businessmen, financiers, scientists, technicians and so on from foreign countries and the Hong Kong and Macao regions are invited to attend.

Those present at the briefing included the French ambassador, the commercial counsellors of Italy, Switzerland, Yugoslavia, West Germany, the United States, Sweden, Norway, and Canada, and responsible comrades of central ministries and commissions concerned. They were warmly welcomed by Governor Yang Xizong and by (Jiang Zeping), secretary general of the provincial government. Also present were permanent Beijing representatives of over 100 foreign, overseas, and Hong Kong and Macao enterprises, and reporters from 50 foreign and Hong Kong and Macao press units and of 10 major domestic news organizations.

On the question of opening up to the world, Governor Yang Xizong stressed: Opening up to the world is a long-term basic national policy. In light of this basic state principle, our province has decided to open the door of the heavenly land and offer our rich resources, extensive market, favored treatment, and warm service to welcome businessmen, financiers, scientists, technicians and so on from foreign countries and the Hong Kong and Macao regions to come and talk about economic and technological cooperation. This will increase their understanding of Sichuan, strengthen the province's ties with foreign countries and the Hong Kong and Macao regions, and promote bilateral economic development and prosperity.

In light of the current situation and the plans for the national economy in Sichuan, we have decided to focus the use of foreign investment and imported technology on technological transformation of existing industrial enterprises, the exploitation and use of energy and mineral resources, the in-depth processing of agricultural and sideline products, and the promotion

of tourism and service trades. We will propose 220 cooperation projects in the machine-building, electronics, metallurgical, light industry, and food trades for selection by people from foreign countries and the Hong Kong and Macao regions. Specific consultations can be held on forms of cooperation in accordance with the principle of equality and mutual benefit.

As authorized by the provincial government, during the press briefing Governor Yang Xizong announced favored treatment policies and specific measures regarding the talks on international economic and technological cooperation and trade. These policies and measures are as follows:

1. As soon as registration is completed, all those setting up Sino-foreign joint and cooperative ventures in the province will be recognized as legal persons in China and their legitimate rights and proper interests will be protected by Chinese law.
2. Joint and cooperative ventures, compensation trade, processing of raw materials for foreign customers and so on will be counted within the Sichuan provincial national economic construction plan as regards energy, raw materials, transport, telecommunications facilities installation and use, domestic loans, construction and so on, and given priority and convenience in arrangements.
3. All those setting up joint and cooperative ventures in Sichuan will have the decisionmaking powers of their enterprises fully guaranteed in accordance with the policies and laws promulgated by the Chinese Government.
4. International market sales of the products of joint and cooperative ventures will be actively encouraged in order to obtain foreign exchange from exports. In addition, in light of the situation regarding the various products, part or all of them can also be sold in the province and the country, with the agreement of both sides.
5. We will take further steps to simplify examination and approval procedures for projects, improve administrative efficiency, and step up the construction of infrastructure such as energy supplies, communications and transport, information and telecommunications, and facilities for daily life, so as to create an excellent investment environment and provide excellent conditions and high-quality services to enable foreign businessmen to live and work in the province for a long time.

CSO: 4006/373

FOREIGN TRADE AND INVESTMENT

NEI MONGGOL CHAIRMAN ON COOPERATION WITH OUTSIDE AREAS

SK260533 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 24 Jan 85

[Text] According to XINHUA, Bu He, chairman of the Nei Monggol Region, recently said to an XINHUA reporter that from 1979 to 1984, the region had scored gratifying achievements in opening its door to foreign countries and other provinces and regions of our country, and in utilizing foreign and domestic capital, technology, and talented people to develop local natural resources. During these 6 years, our region agreed with firms from more than 20 foreign countries and regions on more than 40 projects of using foreign capital to develop woolen textiles, tanning, fur processing, mining, rare earth, and graphite industries, and organized economic, technical, and supplies cooperation and integration with 24 provinces, cities, and autonomous regions in our country.

Bu He pointed out: The region is very rich in natural resources, with the Daxinganling timber base in the east, the rich Baiyunebo iron ore in the west, a vast grassland in the north, the fertile Hetao plain and the Tumochuan grain base in the south, and coal mines everywhere in the region. After many years of construction, these natural resources have been provided with the condition for extensive exploitation. In the past, however, these natural resources have not been fully exploited and utilized due to lack of capital, technology, and talented people. Since the 3d Plenary Session of the 11th CPC Central Committee, the regional CPC committee and the regional people's government have strengthened the work of opening to the outside areas, and have imported equipment and technologies to renovate enterprises and exploit natural resources. The (Dingshan) Cashmere Factory was originally installed with backward equipment, and annually could only produce 300 tons of products with 1,200 tons of sheep wool. After importing advanced foreign equipment, its output volume has increased by 70 percent, and the quality of products has improved greatly. Just in the first year after it was put into production, the factory has withdrawn 85.4 percent of the total investment. After importing advanced foreign equipment, the Hohhot No 2 Woolen Textile Mill increased its production capacity by 50 percent. In the past, the Naiman Banner Dairy and Bean Products Factory had produced products poor in quality and with limited varieties. After importing a new tin-seaming and disinfecting technology from a province in 1982, its production technology and equipment was improved, the output and quality of products were improved, and its products changed from overstocking to having a ready market.

Bu He said: Opening to the outside areas has promoted the scientific and technological exchanges between our region and foreign and other domestic places, and broadened the people's horizon. Over the past few years, more than 10,000 foreign friends have come to the region from 120 foreign countries and regions for investigation, visits, trade talks, and academic exchanges. Meanwhile, more than 700 people in the region have gone to 70 foreign countries and regions for study and investigation. The Nei Monggol University, the Nei Monggol Teachers' College, the Nei Monggol Agricultural and Livestock College and other institutions of higher learning have established academic contacts with some 10 foreign countries.

CSO: 4006/373

## FOREIGN TRADE AND INVESTMENT

### HUNAN ADHERES TO OPEN-DOOR POLICY, EXPANDS FOREIGN TRADE

HK311143 Changsha Hunan Provincial Service in Mandarin 1100 GMT 30 Jan 85

[Text] In 1984, the province made remarkable achievements in opening up to the outside world. According to recent statistics of the provincial economy and trade department, the province's total import and export volume for 1984 was \$460 million yuan, an increase of 9.5 percent over 1983 and an all-time high. Contracts worth \$200 million were signed last year for bringing in technology and buying equipment with foreign funds, including cash, six times the total amount in the 5 years from 1979 to 1983. All this was due to the fact that the province adhered to the policy of opening up to the outside world and enlivening domestic economy.

Last year, in order to raise economic efficiency in foreign trade and expand export business, the provincial economy and trade department carried out overall restructuring in foreign trade enterprises and examined the economic losses resulting from bureaucratic style. They also strengthened business accounting and paid attention to raising economic efficiency. In view of overstocking, they seriously made an inventory of warehouses and promoted the sale of old stocks by selling them at reduced prices. In this way, they had more cash in hand and accelerated the circulation of funds. In addition, they kept an eye on prices on world markets from time to time, reduced as far as possible the export of expensive goods, and increased the export of profit-making goods.

Last year ramie products sold well on the world market. They actively arranged the export of ramie products, increased the sales volume of the products by 70 percent over 1983, and sold them at relatively high prices.

In bringing in technology with foreign funds, along with the continuous development of foreign economic relations, the ties between foreign trade and foreign economic relations became closer. They adopted the method of going out themselves and inviting people in to do export business and bring in advanced technology, thus closely linking export business and the import of advanced technology.

At the provincial talks on foreign economic and technological cooperation held in October last year, the province's foreign trade and foreign economic relations departments cooperated closely. They not only signed contracts on using \$70 million of foreign funds to buy technological equipment, but also reached agreements on exporting rice, medicines, ramie, and metallurgical products.



## FOREIGN TRADE AND INVESTMENT

### YUNNAN DEVELOPS FOREIGN ECONOMIC COOPERATION

HK300800 Kunming YUNNAN RIBAO in Chinese 14 Jan 85 p 2

[Commentary by reporter Shi Zhenqin [4258 2182 0530]: "Create a New Situation in Yunnan's External Economic and Technological Cooperation"]

[Text] Yunnan Province has made much headway in developing economic and technological cooperation with foreign countries in recent years.

Before 1982 our province only undertook tasks assigned by the state in aid of foreign countries. Since 1982 Yunnan has been signing more and more contracts on overseas projects and cooperation in labor services. Approved by the State Council, the province established the China Yunnan International Economic and Technological Cooperation Company in June 1984. The company, acting as a legal entity internally and externally, is the province's unique professional unit for foreign economic relations. Its task is to organize forces of all circles to facilitate the growth of foreign economic and technological cooperation under the leadership of the provincial people's government. Since its founding the company has made progress in work. Our province has signed contracts with Burma, Uganda, South Yemen, North Yemen, Kuwait, Cameroon, Mauritius and the Maldives on labor services and foreign aid projects. Meanwhile, it has also undertaken tasks assigned in accordance with multilateral and bilateral agreements on aid with no strings attached. All these have helped our province introduce talented people and technology for the four modernizations and earn more foreign exchange. Enterprises that have contracted for overseas projects have accumulated experiences and trained a number of skillful workers, thus laying solid foundations for future development.

However, our province's foreign economic and technological cooperation started later than other provinces and remains in an initial stage. The volume of contracts signed by our province for overseas projects and labor services comprises a very small proportion in the country, which does not match the advantages and strength of our province and cannot meet the demands set by the CPC Central Committee for opening to the outside world. To change such a situation, tremendous efforts should be made.

First, we should get rid of certain ideas which are incompatible with the new situation in opening to the outside world. Some comrades do not have a

correct understanding of our advantages and strength and lack confidence in entering the world market to contract for projects. Some are full of misgivings about the risks which may arise from foreign economic and technological cooperation; still others think that we have too much work to do at home, so it is impossible for us to contract projects abroad. These ideas directly affect our endeavors in foreign economic and technological cooperation. As a matter of fact, our province has its own advantages and favorable conditions, such as fertile natural resources; various kinds of industrial and agricultural production; systematic experiences in mining and smelting nonferrous metals and building highways in the mountain areas, bridges and hydropower stations; rich forest reserves; designing and building high- and medium-grade residential houses and industrial buildings; and planting and processing tea, tobacco, rubber and sugar cane. All these are our favorable conditions for entering the world market in contracting projects. Our technological level cannot match with that of developed countries, but it can meet the needs of some developing countries. With a correct understanding of our favorable conditions and advantages, we will have the courage to enter the world market. In developing foreign economic and technological cooperation, there are surely certain risks, but there is also a law to follow. If we are afraid of risks and dare not break a new path in the world market, we will never be able to grasp the law. When our province started contracting the extension project of the Milin [4717 6775] sugar refinery in Burma, we had the idea of not taking risks, but through brave practice we accumulated experiences and met with success. This proves that we really have the ability to enter the world market in contracting projects. Meanwhile, there is no need to worry that contracting projects abroad will affect work at home. The world market of contracting projects is very competitive. This requires us to master modern technology as quickly as possible and improve the quality of our ranks of workers, thus strongly pushing ahead with our work at home. After contracting a number of projects abroad, the province's construction corporation specially dispatched a group of workers to Beijing and other places to learn fitting-up skills in order to attain a higher level in this field of work. Meanwhile, for the extension project of the Milin sugar refinery in Burma, the provincial department of light industry gave the Haikou fireproof materials plant an order for a large number of special-shaped firebricks. In order to bring credit to our country, this factory spared no efforts to complete the export order on one hand and to improve products for the domestic market on the other. There are numerous other examples to show that our work at home has improved by contracting projects abroad and learning foreign modern technology.

Second, it is necessary to improve our work style and working methods which are incompatible with the open-door policy. Quotations on the world market change fast. We often let golden opportunities in some profitable transactions slip by simply due to overelaborate procedures of waiting for approvals and due to low efficiency in office work. This involves the question of how to view the decisionmaking powers given to companies contracting for foreign projects. Now that these companies are independent economic entities which assume sole responsibility for their losses and profits, they should have decisionmaking powers over their business on the condition that they abide by party policies and state decrees. With the

exception of some important matters for which they should ask for instructions beforehand, these companies should be allowed to handle their business independently.

Third, strengthen cooperation and make concerted efforts so as to coordinate actions in developing foreign economic and technological cooperation. Contracting for overseas projects and developing labor services abroad touch upon work in various fields. Completion of an overseas project involves a wide range of work, such as acquiring information, working out budgets, bidding for projects, negotiations, signing of agreements, survey, designing, the purchase and shipment of equipment, construction, and interior designing. One department or one enterprise can hardly accomplish such work alone. Associated business operations are particularly important to our province, which has poor transport facilities. Giving play to the leading role of the China Yunnan International Economic and Technological Cooperation Company, our province has initially instituted an associated system of developing foreign economic and technological cooperation. At the provincial work conference on foreign economic and technological cooperation held in the second half of last December, a large number of units demanded an association in business. This is a good trend. We should take this good opportunity to promote cooperation between companies and their affiliates and cooperation between different areas and different trades. Through cooperation, we can make concerted efforts and coordinate actions. This is very important to us when we are striving to create a new situation in Yunnan's external economic and technological cooperation. Leading comrades in charge of units which will associate themselves together should give strong support to this work.

Furthermore, departments and units which undertake foreign economic work should reform their economic structure and train more professional personnel.

In short, the province's work of developing foreign economic and technological cooperation has bright prospects and great potential. So long as all parties concerned make concerted efforts, we can surely accelerate the work.

CSO: 4006/373

FOREIGN TRADE AND INVESTMENT

FUJIAN DECRIES MALPRACTICE IN FOREIGN IMPORTS

OW060915 Beijing XINHUA Domestic Service in Chinese 1503 GMT 5 Feb 85

[Text] Fuzhou, 5 Feb (XINHUA)--FUJIAN RIBAO on 4 and 5 February carried articles exposing and criticizing an inspection delegation made up of non-professionals from several departments of Fuzhou city for indiscriminately spending U.S.\$550,000 of foreign exchange to purchase obsolete machinery from abroad.

According to a 4 February FUJIAN RIBAO frontpage report, headlined "A Lesson Drawn From the Experience of Nonprofessionals Importing Equipment From Abroad," a manager of a certain foreign fiber weaving company who was in Fuzhou on business in 1981 said his company wanted to sell part of its chemical fiber weaving equipment and invited Fuzhou city to send persons to inspect. An inspection delegation made up of five leading cadres of the Fuzhou City Government, City Economic Commission, and City Textile Industry Bureau left in September 1981 and signed a contract with the foreign company for the purchases of 43 circular knitting machines and 3 dyeing machines for Fuzhou knitting mill. The purchases amounted to U.S.\$553,000, or 1.55 million yuan. When the 43 circular knitting machines arrived, only 11 could be assembled and only 6 were actually put into operation. The other machines were stored in a warehouse, costing more than 10,000 yuan annually for warehouse rent and other expenses.

Why did the import of equipment cause so much waste? One important reason is that the people who go abroad to import technology are not experts. There was not a single technician in the inspection delegation which purchased the equipment. When the delegation was organized, a principal leading comrade of the Fuzhou City CPC Committee pointed out that "textile experts should be included in the inspection delegation." When the namelist of the delegation was submitted to the provincial government, the leadership concerned explicitly instructed that "the namelist should be appropriately readjusted to include more experts and less leading cadres." Pointing to a certain leading comrade on the namelist who already had a visit to Hong Kong approved, the leadership concerned instructed that "instead of letting him go to all places, is it possible to replace him with somebody else?" However, this leading comrade directly called the leadership of the provincial government and lied to it by saying that all four other members of the delegation were "experts." As a result, the original namelist was not changed and the delegation left without any technicians in it.

The delegation did not make any feasibility study before it departed. Six months after it returned home, a feasibility study report was belatedly drawn up by the knitting mill. Domestically manufactured circular knitting machines were already available when the foreign equipment was to be imported. Technically, the imported circular knitting machines were no more advanced than the domestic models and, as for prices, the used foreign machines were 36,000 yuan apiece while similar domestic models were only 20,000 to 21,500 yuan apiece while similar domestic models were only this information at the time. [sentence as received]

The delegation was not only ignorant of complicated technical problems, it also failed to take note of such ordinary problems as insufficient spare parts and rusty knitting needles. Furthermore, there were many discrepancies between what was specified in the contract and the machines received. For example, the contract specified four 12-gauge all-purpose machines but what actually was received were four 8-gauge all-purpose machines, and 60-sliver towel machines were received instead of 120-sliver towel machines as specified in the contract. The manufacture dates of the machines also differed from 4 to 6 years from what was specified in the contract. Those responsible for importing the machines did not even bother to check these discrepancies, much less did they demand compensation from the foreign company in accordance with the contract. Because most of the used machines imported were incomplete, the foreign company on two occasions sent people to help install them and tune them up. However, when it finally succeeded in starting up and putting into operation two of the machines, the knitting mill had spent more than 8,000 yuan for expenses. Six jacquard machines, which were later refitted with much difficulty, could only operate intermittently.

FUJIAN RIBAO today frontpaged a letter from reader Gu Ruozhang which points out that this evil wind of going abroad must be checked. The letter says that there is an unhealthy trend of going abroad today. Some people, after becoming leading cadres, abuse the power of their offices to create opportunities for themselves to go abroad without any consideration whether this will cause a loss for the state. Some foreign businessmen, who clearly know about this weakness of those among us who crave for going abroad, often offer to invite us for a visit abroad with all expenses paid for by them or use other gifts as a bait to sell us their shoddy goods. Those who crave for going abroad can indeed be easily duped by them. The lesson of the circular knitting machines imported by Fuzhou knitting mill once again sounds the alarm for us.

CSO: 4006/373

FOREIGN TRADE AND INVESTMENT

ADVANCED CABLE TECHNOLOGY PURCHASED FROM FINNS

Helsinki HELSINGIN SANOMAT in Finnish 29 Jan 85 p 24

[Article: "Nokia Sold 65-Million Markka Cable Machine to China"]

[Text] Nokia has concluded the largest single cable manufacturing machine transaction with a Chinese cable plant. Nokia Koneteollisuus has concluded a transaction worth 65 million markkaa with the People's Republic of China.

According to the Nokia, this transaction with the Chinese client involves the delivery of power and telephone cable production lines as well as a robotized control cable unit representing a new cable manufacturing process completely built by a Finnish firm. The control cable unit includes a coil treatment robot.

Most of the cable manufacturing machines will be delivered this year. It is estimated that the remaining deliveries next will amount to a value of approximately 20 million rubles. The concluded transaction involves the largest single cable manufacturing machine delivery to China. Several European and American as well as Japanese cable machine manufacturers competed for the contract, stated Nokia.

The firm has previously reached an agreement on the delivery of plastic insulation line for telephone cables to China. This contract amounting to a little less than 10 million markkaa was preceded by a full 3 years of marketing work in China. Nokia considers the transaction just concluded to be a significant breakthrough to the Chinese markets, in which great opportunities are seen.

Nokia is one of the world's leading cable machine manufacturers with a 30-percent share of the world's markets.

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CSO: 3617/74

## FOREIGN TRADE AND INVESTMENT

### CHINESE GARMENT SALES IN LATIN AMERICA ANALYZED

Beijing GUOJI MAOYI [INTERTRADE] in Chinese No 10, 27 Oct 84 p 29

[Article by Qin Tingbiao [4440 1694 2871], Shanghai Garment Import-Export Co: "Chinese Garments in Central and South America"]

[Text] China enjoys trade relations with over 40 Central and South American countries, and our clothing and textile products are very popular among local businessmen and consumers in these countries and enjoy some of the best prospects for development in the near future. Unlike the United States and the EEC, Latin American countries do not place quotas on garments and textiles, and such countries as Panama, Uruguay, Chile, and Mexico have established free-trade zones, encouraged foreign businessmen to build processing plants, initiated re-export operations and provided special tax preferences.

China's export trade to Latin America is still in the development stage, and as of 1980 Chinese exports comprised only about 0.5 percent of the total value of these countries' imports. Among China's exports, garment sales are developing relatively rapidly, Shanghai's clothing exports, for example, having expanded tenfold between 1976 and 1982. Because local climates are very hot, the annual temperature in most countries averaging about 30° C, light-weight knitwear and embroidered silk clothing are in great demand. In recent years, the pure cottons, cotton blends and men's and women's knit underwear produced by Shanghai, such as briefs, printed round-collar and V-neck T-shirts and new-style athletic garments, have been varied in style and color, absorbant, soft, comfortable, reasonably priced and well made; breathe; and thus are well suited to local consumption levels and habits of dress, have become hot items over which local merchants compete to acquire and account for more than 80 percent of Shanghai's garment exports. Moreover, China's elegantly crafted embroidered silk clothing, which is renown abroad, is often worn by both gentlemen and women at formal occasions in these parts of the world. Had these countries not been affected by the U.S. economic crisis, which caused a depreciation in local currencies, China's clothing exports to Latin American markets would have expanded more rapidly.

Nevertheless, the last half of 1983 was a turning point, after which the conditions for the expansion of China's trade with Latin America have



steadily improved. There are many reasons for this development. First, in order to extricate themselves from economic difficulty, many countries in this region have adopted readjustment policies, which have already taken effect. Budgetary deficits have been greatly reduced during the last 2 years, reaching the lowest levels since 1974. And following the economic recovery in the United States and Europe, the economies and trade of Latin American countries will also steadily improve. Second, China has used her open-door policy to import much advanced foreign technology and transform and upgrade her equipment, which has greatly improved the saleability of her goods on the international market. In the clothing industry, China is moving more rapidly in the direction of increasing variety, initiating small-lot production, improving quality and making her products more fashionable. Containerized transport and combined sea-air shipping have been developed, shortened delivery times between China and Latin America and created more favorable conditions. Third, China already possesses a number of old customers and enjoys a good reputation in Latin America. And since Chinese clothing exports are doing a better and better job of meeting the needs of the U.S., Japanese and European markets and are steadily growing, exports to Latin America undoubtedly will also expand smoothly.

What, then, should be done to promote sales of Chinese clothing?

First, we must stress the improvement of advertising. We should recognize that most consumers and merchants in this region are not very familiar with the advantages, quality, level and trademarks of the clothing goods China exports. Thus we must run an appropriate number of trade exhibitions and TV ads, and at the present we should emphasize our popular and hot-selling knitwear, blue jeans, embroidered silk clothing for men and women and all types of children's wear so as to attract people's attention.

Second, we must make full use of the free trade zones established by Latin American countries, create and exploit trading bases in these countries, actively initiate re-export operations in this region and work with local merchants to develop trade. For example, where haven remittances are provided for, we should employ and master payment vouchers (P/P) and documents against acceptance (D/A), which will help eliminate some of the obstacles to the growth in trade and facilitate transactions.

Third, the matter of reducing transport and delivery time between China and Latin America remains an important problem to which we must be attentive and which we must steadily resolve. We must make specific and appropriate arrangements especially in the areas of containerized shipping, air freight and the marketing season for using fasteners to secure garments [yi kou lao fuzhuang 0110 2099 3666 2591 5944].

So long as we take good advantage of our opportunities and strive to improve our promotional work, our trade with Latin American countries will surely expand more rapidly.

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CSO: 4006/157



## FOREIGN TRADE AND INVESTMENT

### BRIEFS

EXPORT FOOD HYGIENE CONTROL--Beijing, 30 Dec (XINHUA)--Beginning 1 January 1985, China will practice stricter hygiene control over food export. To this end, the State Commodity Inspection Bureau and the Ministry of Public Health recently promulgated the "PRC Hygiene Control Measures Over Food Exports (Trial Draft)." The control measures stipulate that all export food processing plants, slaughterhouses, cold storage facilities, and warehouses must be registered with the provincial, autonomous regional, or municipal commodity inspection organ. Only by meeting the "Basic Hygiene Requirements for Export Food Processing Plants and Cold Storage Facilities," promulgated by the State Commodity Inspection Bureau, and obtaining registration certificates and permit numbers, can the food plants and cold storage facilities engage in processing and storage of export foods. All export foods must undergo inspection. All foods, which have not been inspected or failed to pass inspection, must not be exported. [Text] [Beijing XINHUA Domestic Service in Chinese 0248 GMT 30 Dec 84 OW]

TIANJIN JOINT VENTURE DEVELOPMENT--In 1984, Tianjin municipality had signed 51 contracts on running joint ventures with foreign firms. The total investments of China and foreign countries reached \$167.82 million, an increase of 340 percent over the total figure in the past 5 years. Of this, 54 percent was invested by China and 46 percent by foreign firms. The municipality had used \$110 million worth of foreign funds. [Summary] [Tianjin TIANJIN RIBAO in Chinese 31 Dec 84 p 2 SK]

JIANGSU FOREIGN PROJECTS--Jiangsu Province approved 400 projects using \$280 million of foreign funds in 1984. The amount of foreign funds used is 116 percent more than in 1983. In the first half of 1984, the province simplified administration and delegated power in the utilization of foreign funds for importing technology. As a result, the time required for examining and approving project applications has been cut drastically. [Summary] [Nanjing Jiangsu Provincial Service in Mandarin 2300 GMT 11 Jan 85 OW]

SINO-U.S. JOINT VENTURE--Beijing, 12 Jan (XINHUA)--The Huajie Industrial Consulting Co, Ltd, a Sino-U.S. joint venture, started business in Beijing on 12 January. The company was jointly funded by the China Highway Engineering Consulting Co and the U.S. (Louis Bojer) International Engineering Consulting Co. It will contract planning and design work for, and provide technical consulting services to, all kinds of engineering projects in and out of China. [Summary] [Beijing XINHUA Domestic Service in Chinese 1441 GMT 12 Jan 85 OW]

NEI MONGGOL LEAGUE'S ECONOMY--Jirem League in Nei Monggol, turning its closed-door economy to an open economy, has vigorously developed various forms of economic and technical cooperation with others. By the end of 1984, it had held discussions on technology import with the United States, Japan, East Germany, Denmark, and Sweden and established economic and technical cooperative relations with more than 30 areas of 27 provinces, municipalities, and autonomous regions of the country. Thus far, it has imported more than 10 million yuan of funds, and completed more than 100 projects of technology import from abroad and joint development with foreign countries. [Excerpts] [Hohhot NEIMENGGU RIBAO in Chinese 14 Jan 85 p 1 SK]

HUNAN EXPANDS TRADE--Hunan Province made great progress in utilizing foreign capital, importing technology, and developing foreign trade last year. The province signed more than 60 contracts on utilizing foreign capital. The total value of exports increased by 13 percent as compared with that of 1983 and the total value of import doubled that of the previous year. [Summary] [Beijing Domestic Service in Mandarin 0400 GMT 14 Jan 85 OW]

FUJIAN EXPORT TARGET--Fujian's 1984 export performance was very encouraging. Total export value was US\$422.68 million, 57 percent more than the state target. This was the first time that Fujian exceeded US\$400 million in exports. Last year, under the unified leadership of the provincial government, Fujian's foreign trade departments instituted an export agency system under which they serve as export agents for various departments and localities which assume sole responsibility for their own profits and losses. More than US\$100 million of goods were exported under this system, accounting for 23 percent of the total export value. At the same time, the foreign trade departments helped develop a number of new products for export. Newly developed products such as artificially bred eels, frozen food items, and granite plates increased in export volume. Growth rates ranged from 20 percent to 600 percent. Some of the export products ranked first in the country in quantity or quality. [Text] [Fuzhou FUJIAN RIBAO in Chinese 17 Jan 85 p 1 OW]

XINJIANG INTERNATIONAL COOPERATION COMPANY--With the approval of the central authorities, the Xinjiang International Economic Cooperation Company has been formally established. This company, under the leadership of the regional government, has the aim of attracting and using capital from foreign countries, the Hong Kong and Macao regions, and Overseas Chinese for promoting Xinjiang's economic construction, developing and expanding the region's external economic cooperation, and providing various services. The company will use imported capital to set up joint and cooperative ventures and organize and undertake compensation trade, cooperative production and so on. It will also arrange the import of equipment purchased with foreign capital. [Summary] [Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 2 Feb 85 HK]

CORPORATION'S SHANDONG BRANCH--The Shandong branch of the China Changcheng Industrial Corporation was formally established in Jinan city on 5 February. The corporation, operated by the Ministry of Astronautics Industry, is the national level organ of foreign trade which has taken up the task of

integrating industries with trades and has been able to operate export and import business independently. It can import or export commodities in electronics, machinery, medical equipment, hardware, the chemical industry, magnetic materials, and services for space technology. It is also in charge of the designation of construction projects and the business of introducing outside funds and technology and rendering technical service to joint-venture plants. Attending the inaugural ceremony at the Nanjiao Guest House were Zhang Jun, minister of Ministry of Astronautics Industry; Pang Bingan, general manager of the China Changcheng Industrial Corporation; and (Dong Xiangshan), manager of the provincial corporation branch. Attending the inaugural ceremony to extend congratulations were responsible comrades, including Su Yiran, Liang Buting, Lu Maozeng, Li Changan, Li Zhen, and Jiang Chunyun. [Text] [Jinan Shandong Provincial Service in Mandarin 2300 GMT 5 Feb 85 SK]

DANISH-AIDED DAIRY IN HEILONGJIANG--Harbin, January 18 (XINHUA)--China's largest dairy, built with Danish Government loans, went into operation in Heilongjiang Province today. The dairy in the city of Anda in southwestern Heilongjiang processes 200 tons of fresh milk daily. It uses Danish technology and equipment. Construction began on the dairy in October 1982. Heilongjiang, one of the country's major grazing areas, produced 30,600 tons of milk products last year--25 percent of China's total. Its powdered milk is exported to 40 countries and regions. [Text] [Beijing XINHUA in English 0658 GMT 18 Jan 85 OW]

TOURIST FACILITIES IMPROVEMENT--Beijing, January 21 (XINHUA)--One billion yuan will be spent by the China Travel Service (CTS) on building hotels, buying cars and buses, expanding services and improving its other tourist facilities. General Manager Gao Yin told a CTS national conference of managers which opened today that the service would have more than 20,000 hotel beds available by 1990, double the present number. It would also have 3,000 more cars and buses, four times the figure of 1984, he added. Founded more than 30 years ago, CTS caters to Overseas Chinese and residents from Hong Kong, Macao and Taiwan. It has hosted about 900,000 people annually for the past several years. Although great efforts had been made to improve services over the years, a lot of work still remained to be done, Gao said. CTS' accommodations and transport facilities fell short, as did the quality of its staff. To remedy its staff problems, CTS would set up a training center and use available educational facilities to improve the quality of its work force, he said. [Text] [Beijing XINHUA in English 1240 GMT 21 Jan 85 OW]

QINGHAI YAK MEAT EXPORTS TO USSR--Xining, February 6 (XINHUA)--A train load of 300 tons of frozen yak beef is on its way to the Soviet Union, from northwest China's Qinghai Province, provincial officials here said. The province, one of the leading pastoral regions, is exporting beef to the Soviet Union for the first time. It used to supply that country with asbestos and other minerals and industrial goods, officials added. Yak beef contains high protein and low fat. It is tender, experts said, because the animal inhabits sparsely-populated areas more than 3,000 meters above sea level where pollution can hardly be monitored. Qinghai has in recent years sold 30,000 live yaks and 5,000 tons of frozen yak beef to Hong Kong and foreign countries. [Text] [Beijing XINHUA in English 0638 GMT 6 Feb 85 OW]

TIANJIN HOTEL CONSTRUCTION--A ceremony to lay the foundation stone for the Beifang Hotel in Tianjin Municipality's Tanggu District was ceremoniously held on 12 December. The hotel is a Sino-Japanese joint venture. Cutting the ribbon at the ceremony were Mao Changwu, adviser to the municipal government, and Makino Humio, president of the Japan Union Transport Industrial Co., Ltd. The Bohai External Service General Company in Tanggu District, the Tianjin Municipal International Credit Investment Company, the Japan Union Transport Industrial Co., Ltd. and the Tokyo Industrial Co., Ltd. jointly invested in the hotel. The total investment was \$10 million. The construction will be completed by the end of 1985. [Summary] [Tianjin TIANJIN RIBAO in Chinese 13 Dec 84 p 1 SK]

CSO: 4006/386

SPECIAL ECONOMIC ZONES

GUANGDONG'S ZHUHAI CITY DOUBLED EIGHT INDEXES IN 1984

HK071158 Guangzhou NANFANG RIBAO in Chinese 2 Feb 85 p 1

[Report by Tao Guangyuan [7118 0342 0337], Lin Taolian [2651 2711 5114] and Ye Zhixiong [0673 1807 7160]: "Zhuhai City Achieved Doubling in Eight Indexes Last Year"]

[Text] Last year there were great leaps in the various kinds of work of Zhuhai City, which doubled its total industrial and agricultural output value, revenue, the turnover of social commodities, joint venture projects, the actual amount of investment, the amount of investment in capital construction, turnover in the tourist industry, and so on.

According to statistics, last year's total industrial and agricultural output value of Zhuhai City (excluding Doumen County) reached more than 408 million yuan, a 107 percent increase over that of the previous year; revenue reached more than 148 million yuan, a 135 percent increase over that of the previous year; the number of joint venture projects totaled 604, a 141 percent increase over that of the previous year; imported foreign funds reached U.S.\$370 million, a 570 percent increase over that of the previous year; the actual amount of investment reached U.S.\$125 million, a 33 percent increase over that of the previous year; the amount of investment in capital construction reached 340 million yuan, a 151 percent increase over that of the previous year; and turnover in the tourist industry reached more than 240 million yuan, 14 times that of the previous year.

The reason why Zhuhai City could create such a good situation as achieving doubling in eight indexes last year is that the city has continuously tried to get rid of the influence of "leftist" ideology and has continuously carried out the party's policy of opening to the outside world and has managed to build the special economic zone with all efforts. As early as at the end of the year before and the beginning of last year, on the basis of the great successes achieved in the construction of the special economic zone in the previous years, Zhuhai City realized three fundamental shifts: 1) The focal point of work of the Zhuhai Municipal CPC Committee was shifted to the construction of the special economic zone, the leading structure of the special economic zone was reformed, the principal leaders of the municipal CPC committee and the municipal government took charge of the special economic zone, and all departments entered the special economic

zone as economic entities and build the special economic zone to promote the work of the whole city; 2) the construction policy of the special economic zone was based on the principle that industry is the leading factor, and on mainly developing enterprises with concentrated technology and knowledge in order to build a comprehensive special economic zone with industry, commerce, agriculture, animal husbandry, residential quarters and tourist trade; and 3) importing from foreign countries was shifted to the combination of importing from foreign countries with cooperation with other enterprises domestically. After realizing the three shifts, all fronts and all departments of the city went into action immediately to ensure the supply of manpower, material resources, and financial resources for the construction of the special economic zone.

Last year, only the amount of investment in capital construction of the special economic zone reached 130 million yuan, with the completed construction area being 270,000 square meters. Among the construction projects 26 new roads have been built and at the same time water pipelines, sewers, drainage pipelines, gas pipelines, electric cable lines and communication lines and other pipeline facilities have been laid; 16 out of 34 new factory buildings which conform to industrial standards have been built; 2,000 out of 4,000 dial telephones have already been put in use and the remaining 2,000 telephones will soon be installed; the Zhuhai-Hong Kong-Guangzhou-Macao direct dial telephone system has been put through; some of the 1110,000-volt [as published] transformer substations and five other transformer substations which form a complete set have already been completed and others are now under construction; and preparations for the construction of a comprehensive 10,000-ton port are now underway. All these have greatly improved the environment for investment in the special economic zone and have laid good foundations for the future development of local industry with the help of foreign investment.

Another important factor in the fast economic development of Zhuhai City is that Zhuhai City has dared to use both internal and external funds and dared to borrow money to carry out construction. Last year they absorbed both internal and external experiences in carrying out construction, cast aside the small producer's concept of fearing to be in debt, made flexible use of various kinds of funds, dared to obtain loans and dared to invest. They mainly used local funds for the construction of basic projects in the special economic zone and used bank loans and the investment of the International Trust and Investment Company for capital construction. Last year the investment in capital construction of the whole city reached 340 million yuan, the major part of which were bank loans. They also imported foreign funds to promote internal investment in the development of cooperative enterprises with other cities and provinces so as to bring into full play their respective advantages and develop both the special economic zone and other parts of the country. Last year, together with some 10 cities and provinces and with more than 20 departments of the central government, the city ran cooperative enterprises, 236 cooperative projects, and the amount of planned investment reached 380 million yuan.

In order to accelerate its economic development, Zhuhai City has also carried out reform of the economic structure in various aspects.

CSO: 4006/373

## SPECIAL ECONOMIC ZONES

### MINISTER ATTENDS JIANGSU TRADE FAIR IN SHENZHEN

OW201626 Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 17 Jan 85

[Text] A trade fair displaying and marketing Jiangsu's agriculture goods and commodities produced by Jiangsu's rural enterprises, opened in Shenzhen this morning. This is the first time for Jiangsu to take part in such a trade fair being held in the special economic zone.

The trade fair is jointly sponsored by the Jiangsu Provincial Agricultural and Forestry Department, the Jiangsu Provincial Bureau of Rural Enterprises, the Jiangsu Provincial Aquatic Products Bureau, the Jiangsu Provincial Agricultural Development Bureau, the Jiangsu Provincial Economic and Trade Bureau, the Jiangsu Academy of Agricultural Sciences, and the Jiangsu Agricultural College.

Displayed and marketed at the fair are more than 700 kinds of agricultural and sideline products, fresh and salt water products, foodstuff, nutritious food, knitwear and textile goods, miscellaneous goods for daily use, and so forth, under 11 major categories.

On opening day endless streams of countrymen from Hong Kong, Macao, and other countries, as well as natives from Jiangsu, and people of all walks of life in Shenzhen visited the fair to purchase and order various types of famous and special agricultural goods and handicrafts produced in Jiangsu.

He Kang, minister of agriculture, animal husbandry and fishery; Liang Xiang, vice governor of Guangdong and mayor of Shenzhen; and Liang Qihong, vice governor of Jiangsu, attended the opening ceremony and toured the Jiangsu pavilion.

Also opening at the fair today were pavilions of Ningxia, Xinjiang, Zhejiang, Shenzhen, and 15 other provinces, municipalities, and autonomous regions.

CSO: 4006/373

LABOR AND WAGES

XINJIANG CPC COMMITTEE DISCUSSES TRADE UNION WORK

HK070153 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 5 Feb 85

[Text] The standing committee of the regional CPC committee recently held a routine work meeting to discuss trade union work, demanding that trade union federations mainly grasp the following five tasks in the new historical period:

1. Trade union organizations must switch the focus of their work to serving economic construction, go deep into grassroots units, conduct investigations, and properly carry out economic reform so as to promote economic construction.
2. Trade union organizations must assist CPC committees at all levels to properly manage trade union cadres. The leading bodies of trade union organizations must meet the four requirements. Trade union organizations at all levels must treat examining and selecting young cadres as an important task and properly build the third echelon.
3. Firmly grasp reform of the leadership system in enterprises, strengthen democratic management, and ensure the workers' role as their own masters. It is necessary to properly carry out a pilot project and gradually promote the experience derived from the pilot project.
4. Grasp education among staff and workers, upgrade the political, cultural, and technological level of staff and workers, and build a workers' contingent which is both Red and expert.
5. Build trade union organizations into a home for staff and workers. Trade union organizations must pay attention to the life of the masses. Trade union cadres must become bosom friends of staff and workers, resolve the housing problem of staff and workers, properly run kindergartens, build cultural and amusement facilities for staff and workers, and pay attention to resolving the problem of marriage of unmarried youths in their thirties, so as to remove trouble from the homes of staff and workers.

CSO: 4006/368



LABOR AND WAGES

TRADE UNION FEDERATION PROMOTES SELF-STUDY

OW150025 Beijing XINHUA Domestic Service in Chinese 1235 GMT 13 Feb 85

[Text] Beijing, 13 Feb (XINHUA)--Speaking to a XINHUA reporter today, the responsible person of the All-China Federation of Trade Unions encouraged more workers and staff members to educate themselves through self-study in order to keep pace with the new situation.

He made the above remarks on the occasion of the Promulgation of the "Provisional Regulations on Promoting Education Among the Workers and Staff Members Through Self-Study."

He pointed out: The economic structural reform, the challenge to the new technological revolution, and the development of national economy, all imperatively require raising the qualities of the contingent of workers and staff members and acceleration in training technological and management personnel. The upsurge of self-study among the workers and staff members in recent years is the result of the above situation. Practice has shown that self-study offers greater adaptability. And a higher sense of awareness can be detected among the workers and staff members as they study out of needs in production and work. As long as they have a correct goal in self-study, the right method, and perseverance, they will surely learn something, put their learning to practical use, and succeed in learning. Self-study has become one of the important avenues for the workers and staff members to grasp scientific and cultural knowledge and improve their special skills. It is also a way to discover more talented people and train more and better qualified personnel. We should greatly promote and support workers and staff members to educate themselves through self-study. The aim of formulating and promulgating the "Provisional Regulations on Promoting Education Among the Workers and Staff Members Through Self-Study" is just that.

The responsible person of the All-China Federation of Trade Unions stressed: Self-study is hard, and success in self-study does not come easily. Workers and staff members who engage in self-study need assistance and support from various circles. Society should give due respect to those people who have gained competence through self-study. Over the years, many local trade unions and grassroots trade unions have been actively conducting investigation and research on self-study among the workers and staff members. They have adopted measures to create favorable conditions for self-study, done their utmost in

helping overcome difficulties and solve problems encountered by the workers and staff members in their study, commended typical successful cases of self-learners, and summed up and exchanged experiences in those units which have done a good job in promoting self-study. They have achieved fairly good results, won acclaim from the masses of workers and staff members, and drawn attention and support from the party and the government. Trade union organizations at various levels ought to keep up their good job and take initiative to coordinate with the departments concerned to study the problems of testing, checking, evaluating, hiring, and paying those who obtain their qualification through self-study so that they may put their knowledge into good use and duly get paid. Also, the trade unions should actively recommend those talents with real abilities to the administrative and employing units so as to appoint a new generation of talented people.

The responsible person of the All-China Federation of Trade Unions pointed out: In designating the conditions for awards to persons who gain competence through self-study, we have taken into account of the overall situation in the whole country and will only select the best among the good ones with our emphasis in commending the typical cases among the workers and staff members who have scored outstanding achievements through self-study. They are not meant to be the standard for competent persons through self-study. By competent persons through self-study, we mean those who have commanded a certain amount of special knowledge and skills through self-study, consciously fulfilled their share of responsibility toward the society, served the people, and contributed to the development of the four modernizations program.

The responsible person of the All-China Federation of Trade Unions also announced that the federation will hold a commendation meeting in the second quarter of this year to commend a group of typical outstanding people who gain competence through self-study and will organize them to exchange experiences among themselves.

CSO: 4006/386

LABOR AND WAGES

ZHEJIANG FACTORIES HIRE HANDICAPPED WORKERS

OWL31746 Beijing XINHUA in English 1450 GMT 13 Feb 85

[Text] Hangzhou, 13 Feb (XINHUA)—About 250 rural welfare factories employing 3,800 handicapped people opened in Zhejiang Province last year, according to the provincial civil affairs department.

Rural handicapped workers get the same wages and fringe benefits as others, including bonuses and pensions, said a department official.

He added: "Until a year ago, only urban handicapped people had access to work in welfare factories."

They had to depend on government relief or their relatives for a living, as they were unable to contract farmland from collectives.

Welfare factories, which usually ensure that 35 percent of their workforce are comprised of handicapped people, turn out many products, including cotton cloth, silk, clothing, shoes, hats, electrical appliances, hardware and foodstuffs.

They are exempt from industrial, commercial and income taxes, and get support from local authorities on business information, marketing methods and supplies of raw materials.

The official described the city of Shaoxing as a pacemaker.

More than 2,700 disabled people are now working in 100 welfare factories in six counties and one district administered by the city.

Shaoxing County has 55 welfare factories employing more than 1,000, about 40 percent of the local handicapped people who are able to work.

Ninety percent of disabled workers at a silk textile mill in Shaoxing County have acquired skills through special training.

The official said: "Some handicapped people have been promoted to be factory directors and workshop heads."

Factory executives try to help such workers by finding them homes near their jobs and even by acting as marriage go-betweens for them.

These factories have canteens, clinics and cultural and sports facilities all adapted for use by the disabled.

Funds for such factories come mainly from profits made by township-run businesses, said the official, adding that bank loans and private investment were also used.

CSO: 4020/114

LABOR AND WAGES

BRIEFS

GUIZHOU TRADE UNION MEETING--The second plenary meeting of the seventh committee of the provincial federation of trade unions pointed out: During reform of the economic structure, trade union work should be focused on invigorating the enterprises in the following ways: 1) Promote democratic management and ensure the workers' status as masters of the house. 2) Closely integrate the workers' labor with their vital material interests. This meeting was held in Guiyang from 27 to 31 January. Speaking at the meeting, Wang Chaowen, secretary of the provincial CPC committee and governor, said: While implementing the responsibility system for plant managers, we must ensure the rights and role of the trade unions and the workers' congresses in examining major enterprise policy decisions, supervising the administrative leadership, and upholding the workers' legitimate rights. In light of conditions in Guizhou, the trade unions should currently focus on promoting democratic management in the enterprises and improving the quality of staff and workers. [Excerpts] [Guiyang Guizhou Provincial Service in Mandarin 2300 GMT 1 Feb 85 HK]

SICHUAN FOREIGN LABOR SERVICES--The Sichuan International Economic and Technological Cooperation Company has vigorously expanded labor services exports. It has contracted for various projects in 18 countries in Europe, North America, Asia, Africa, and Latin America, and has dispatched various professionals to these countries, thus earning a large amount of foreign exchange and making contributions to the province's prosperity. Foreign labor services contracts signed by the company for 1984 amounted to \$57.13 million, an increase of 53.8 percent over the previous year. The company also contracted for a project to build a sports center in Kenya. The value of the contract was some 83 million yuan. From 1981 to 1984, the company received a total of \$8 million in foreign exchange. [Summary] [Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 3 Feb 85 HK]

YUNNAN INCOME FOR 1984--The province's income for 1984 was 12.2 billion yuan, an increase of 1.6 billion over 1983. The per capita income of the province for 1984 was 368 yuan, an increase of 46 yuan over 1983. [Summary] [Kunming Yunnan Provincial Service in Mandarin 2300 GMT 7 Feb 85 HK]

ECONOMIC EFFICIENCY AIDED--Beijing, 12 Feb (XINHUA)--China has set up 27,000 labor service companies to employ 4.2 million people, officials of the Ministry of Labor and Personnel said here today. The ministry reported that it helped in part factories and commercial enterprises cut down on overstaffing. Statistics from Shanghai, Liaoning, Zhejiang and eight other provinces and three ministries indicate that the number of white-collar workers should be reduced by 4.1 percent to improve management. The labor service companies turned over to the state taxes and profits worth 1.2 billion yuan last year, according to the ministry. A national economic work conference in session has called for further development of the labor service companies. [Text] [Beijing XINHUA in English 1434 GMT 12 Feb 85]

CSO: 4020/114

## TRANSPORTATION

### SHAANXI PEASANTS BUILD HIGHWAYS IN MOUNTAIN AREA

OW130805 Beijing XINHUA in English 0640 GMT 13 Feb 85

[Text] Xian, 13 Feb (XINHUA)--Nearly 1 million peasants in southern Shaanxi Province have turned out to build highways among the secluded but resourceful mountain ranges of Qinling and Bashan.

The highways, extending about 6,000 kilometers, will link this mountainous region with Henan, Sichuan, Hubei Provinces and the provincial capital of Xian.

This is part of a three-year program worked out by the provincial government for building and improving 10,000 kilometers network of highways in the Qinling-Bashan mountainous area to ship the rich resources of minerals, timber, medicinal herbs and other native produce out of the region.

In the mountainous area, 14 townships embracing 5,500 villages have no highways leading to the outside world. The rich native produce is unable to be shipped out and the local people remain poor.

To open up the area and improve the living standards of the local people, the state has provided 179 million yuan worth of grain, cotton and cloth to support local peasants in the three-year program. Provincial government has appropriated an additional 41 million yuan to fund the project. Thus local peasants could get 1,680 yuan worth of grain, cotton and cloth for every kilometer of highway built.

Now the road builders are working with great zeal. About 3,000 kilometers are expected to be completed before the Spring Festival which falls on 20 February.

The completion of the project will have a great bearing on the economic development in southern Shaanxi, local officials said.

When the highway that will connect Zhenping County with Hubei and Sichuan Provinces is completed, 50,000 cubic meters of timber, 5,000 tons of coal and 500,000 kilograms of medicinal herbs will be transported on it annually, a local official said. This would amount to the total annual revenue of the county.

CSO: 4020/115

## TRANSPORTATION

### ECONOMIC WORK MEETING HEARS TRANSPORT REPORT

OW140107 Beijing XINHUA Domestic Service in Chinese 1453 GMT 13 Feb 85

[By reporter Zhang Jinsheng]

[Text] Tianjin, 13 Feb (XINHUA)--A responsible person of the China Communications and Transportation Association pointed out at the National Economic Work Meeting: In order to relieve the strain on passenger transport, the central authorities and the localities should make a joint effort, the state, the collectives, and the individuals should all participate in the work, and railways, highways, water transportation, and civil aviation should take advantage of their strong points, and cooperate with one another to further expand transport capacity.

The responsible person pointed out: In the 6 years from 1978 to 1984, passenger transport volume in China more than doubled. The passenger transport volume will continue to increase with the development of the economy. In order to relieve the strain on passenger transport, it is necessary to take measures to readjust the passenger transport structure, and rationally divide responsibilities among various means of transportation. In our country, the railways should be chiefly responsible for medium- and long-distance passenger transport. Coastal areas and areas along rivers should do their best to bring into full play the role of sea and river transport. Short-distance passenger transport should mainly rely on the highways. Civil airlines should assume more and more responsibility in long-distance passenger transport. The railways should organize more passenger trains, and increase their length. Motor vehicles of offices, enterprises, and individual economy households should be organized into a highway transport service. Collective and individual transport services should be helped to operate passenger transport on the Chang Jiang and other inland rivers. In civil aviation, it is necessary to increase the utilization rate of existing planes and renovate and expand some airports.

CSO: 4006/382



## TRANSPORTATION

### COLLECTIVE, PRIVATE RIVER SHIPPING BUSINESSES ESTABLISHED

OW121752 Beijing XINHUA in English 1437 GMT 12 Feb 85

[Text] Beijing, 12 Feb (XINHUA)--More than 60 shipping companies have been set up along the Yangtze River since 1 October 1984 when the collectively-run Minsheng Company went into operation in Chongqing, Sichuan Province.

These new companies bring the total plying the river trade to 803, the PEOPLE'S DAILY reported today. The Yangtze and its tributaries have 100,000 kilometers of navigatable waters.

In addition, individuals who specialize in river shipping and transport have increased to 343,000. They own 173,000 boats with a total deadweight tonnage of 2.06 million.

Many collective and private shipping services started in 1984 when managerial reform was introduced in China. Previously, shipping was controlled by enterprises under the central government.

Docks along the river were formerly owned by shipping corporations and they only handled loading and unloading for their own ships. Now medium-sized and small berths have been added to cope with increasing collective and individual businesses.

In 1984, the 24 docks controlled by the Ministry of Communications received 27,000 local ships, which loaded and unloaded 21 million tons of cargo, 50 percent more than in 1983.

Last year the state loading and unloading quota for the Yangtze was fulfilled 53 days ahead of time. Taxes and profits rose by 58.4 percent.

Previously, goods handled by local ships had to be transshipped because different sections were controlled by different enterprises. The reforms have broken the rigid regional and administrative barriers and local ships can now move goods directly to any destination on the river.

CSO: 4020/115

## TRANSPORTATION

### BRIEFS

XIZANG HIGHWAY BUILDERS COMFORTED--A Xizang Military District gathering to comfort units engaged in building the Lhagong highway was held at a certain worksite on the highway on 8 February. Present were Yin Fatang, first secretary of the regional CPC committee; (Jiang Hongguan), commander of Xizang Military District; and (Li Weimou), deputy director of the military district Political Department. Comrade Yin Fatang pointed out in a speech: The Lhagong highway is an important door for Xizang. Therefore, it is extremely honorable and significant to take part in improving this highway. [Excerpt] [Lhasa Xizang Regional Service in Mandarin 0500 GMT 10 Feb 85]

GUANGDONG TRAFFIC CONTROL CONDITIONS--According to NANFANG RIBAO, traffic control conditions on the Guangzhou-Shantou highway are completely chaotic. Many departments have set up checkpoints under a variety of signboards along the highway to inspect vehicles and indiscriminately levy fines. Apart from seriously interfering with traffic safety and flow, this state of affairs also has an extremely bad political impact. According to incomplete statistics, at present the departments manning checkpoints along the highway include those of traffic control, license control, traffic supervision, ferries, transport inspection, traffic safety committees, public security, industry and commerce administration, tax, farm machinery, timber, sugarcane, public health, and plant protection, and also inspection groups waving the signboards of spiritual civilization, tidying up social order, and five stresses and four beauties. There are over 60 checkpoints along the less than 500-kilometer highway. It takes anything from a few minutes to over 1 hour to inspect a vehicle. Moreover, the standards of fines vary, each department setting its own figure. In some cases, receipts are not issued, or else only black pieces of paper are handed out. Drivers, passengers, and goods consignees have strongly demanded that the departments concerned swiftly take effective steps to ban this illegal activity. [Text] [Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 10 Feb 85]

TIANJIN ROAD RENOVATION PROJECT--The Tianjin Municipal Government approved on 8 January the plan to renovate the Zhonghuanxian Road. The 25.38-km-road covers from Qinjian Bridge to Sixin Bridge across Hai He. After renovation, the road will be 50 meters wide. The project includes renovation of Huanghedao-Fukanglu section of Hongqi Road, Wujiayao Main Road, and Xiaoweidi Road, and construction of three large overpasses and five bridges. [Summary] [Tianjin TIANJIN RIBAO in Chinese 9 Jan 85 p 1 SK]

TRANSPORTATION SAFETY--During an interview with reports today, Minister of Railways Chen Puru, reemphasized that railroad personnel at all levels must heighten their vigilance and go all out to ensure safety in rail transportation during the Spring Festival period. He said any negligence or carelessness is absolutely impermissible. Chen Puru said: As Spring Festival is drawing nearer and nearer, passenger transportation is reaching its peak. The passenger flow has now reached 3.7 million each day. Recently some passengers have been discovered boarding trains with various types of hazardous materials, which caused alarms. Chen Puru urged leading railroad cadres to attach great attention to such problems, work at the forefront of transportation to ensure transportation safety, and educate rail workers to serve the people wholeheartedly, properly perform their duties at all posts, and heighten their awareness of transportation safety and the need to follow regulations. He also urged departments concerned to work in coordination with rail departments to help management by banning hazardous articles. The railway minister also called on various local governments to help ensure transportation safety by exercising firm control over the production and sale of firecrackers strictly in accordance with the relevant regulations. [Text] [Beijing Domestic Service in Mandarin 1200 GMT 8 Feb 85]

TIANJIN NEW AIR ROUTES--The Tianjin Municipal Civil Aviation Bureau recently decided that, effective 15 April this year, the scheduled flights between Tianjin and Guangzhou will be increased from 2 to 4 weekly and the flights between Tianjin and Hong Kong will be increased from 4 to 6 weekly, including one exclusively for cargo transportation. In addition, one flight to and from Xian will be increased in the Tianjin-Xian route. The civil aviation bureau also decided to open three new routes to Beijing, Dalian, Hangzhou, and Guilin this year. There will be seven flights a week for the three new routes. [Summary] [Tianjin TIANJIN RIBAO in Chinese 21 Jan 85 p 1 SK]

AUTOMATION EQUIPMENT FOR SHIPS--Automated equipment for use in the ship's hold has passed technical appraisal recently. The equipment is jointly developed by the Shanghai Institute of Ship Transportation Science, under the Ministry of Communications, and the Shanghai Marine Shipping Administration. The appraisal concluded that this equipment is advanced in technology. It can ensure navigation safety, and improve transport efficiency for a vessel. In addition, it also improves working conditions for the crew, making it possible for a ship to use fewer crewmen, reduce repair costs and conserve energy, and lays a good foundation for further development of the integration of its engineering and navigation departments. [Text] [Beijing Domestic Service in Mandarin 1100 GMT 6 Feb 85 OW]

VEHICLE OWNERSHIP IN XIZANG--Lhasa, 11 Feb (XINHUA)--Rich Tibetans purchased 150 trucks and 50 tractors at a recent meeting here. A truck costs 27,000 yuan (about \$US9,600). Peasants and herdsman in Xigaze have bought 500 since September 1984. Private transport firms are now allowed, and farmers find Tibet's 7,800 private trucks and tractors an improvement on yak-power for sending goods to market. In Qamdo 273 families specialized in transport last year, six times as many as in 1983. Local government provides interest-free loans to buyers, who also pay no road tax. [Text] [Beijing XINHUA in English 1207 GMT 11 Feb 85 OW]

JIANGSU RIVER TRANSPORTATION SYSTEM--Nanjing, 11 Feb (XINHUA)--A shipping network links all the 64 counties and 76 percent of the townships of the river-crisscrossed province of Jiangsu, east China. The shipping route has risen to 23,500 kilometers from 10,000 kilometers in the early 1950's. Plans are well coordinated by the provincial water conservancy and transport departments to build irrigation works along with shipping facilities. The Jiangsu section of the ancient Grand Canal between Beijing and Hangzhou, capital of neighboring Zhejiang Province, is being deepened and widened. The 1,994-kilometer canal is now serving as a transport artery for Jiangsu and playing an increasingly important role in carrying coal from north China to south. [Text] [Beijing XINHUA in English 1622 GMT 11 Feb 85]

NEW CONTAINER SHIPPING LINE--Shanghai, 3 Feb (XINHUA)--China opened its first regular container shipping line for Southeast Asia yesterday. The multi-purpose container ship, "S.S. Shangcheng," left here yesterday for Pinang (George town) and Kelang of Malaysia, Singapore, Bangkok of Thailand and Hong Kong. The line under the management of the Shanghai Ocean Shipping Company operates once a month. It takes about 25 days for a round trip. With a length of 147.5 meters and a width of 22.2 meters, the container has a deadweight of 12,300 tons. It carries 724 standard containers and bulk cargoes, too. Its speed is 15 nautical miles per hour and can sail 12,000 nautical miles. [Text] [Beijing XINHUA in English 1144 GMT 3 Feb 85]

CSO: 4020/115

PUBLICATIONS

BRIEFS

FIRST COMMERCIAL NEWSPAPER--Beijing, 28 Dec (XINHUA)--ZHONGGUO SHANGYE BAO [0022 0948 0794 2814 1032 CHINA COMMERCIAL NEWS], China's first commercial newspaper, will be released to the general public on 1 January 1985. To be published twice a week, this newspaper will serve cadres and workers of various commercial enterprises and specialized householders in China by publicizing the party and state policy on commercial work, discussing and studying theory of commercial economy, reporting the needs of producers and consumers, and introducing new commercial scientific and technical knowledge. [Summary] [Beijing XINHUA Domestic Service in Chinese 0908 GMT 28 Dec 84 OW]

COMMODITY PRICES PUBLICATION--With approval by the Shanghai Municipal CPC Committee, DONGNAN HANGQING BAO [SOUTHEAST CHINA COMMODITY PRICES], China's first transregional newspaper on commodity prices, will be inaugurated and published in Shanghai on 1 January 1985. Jointly run by the Commodity Price Bureaus of Shanghai, Jiangsu, and Zhejiang and the XINMIN Evening News Publishing House, the newspaper will regularly report on market prices in Jiangsu, Zhejiang, and Shanghai and will introduce new products to the consumers. [Summary] [Shanghai City Service in Mandarin 1100 GMT 29 Dec 84 OW]

CSO: 4006/373

5 March 1985

HONG KONG MEDIA ON CHINA

XINJIANG ECONOMIC TEAM SEEKS PROJECT PARTNERS

HK180625 Hong Kong SOUTH CHINA MORNING POST in English 18 Jan 85 Business News Supplement p 3

[Article by Oliva Sin]

[Text] Xinjiang is the latest inland Chinese province to woo funds from Hong Kong by sending an economic delegation.

The governor of the Xinjiang Uygur Autonomous Region, Mr Ismayil Amat, is heading a 15-member team looking for partners for 103 projects worth US\$2.8 billion.

The delegation, which will meet local industry and commerce groups, will return on January 26.

During the past three months other delegations have visited from Shanxi, Chongqing and Qinghai.

The projects touted ranged from textiles, food processing, machinery, construction, petrochemicals and tourism.

Mr Amat said his province's growth has been hampered by its remoteness and poor transportation facilities.

The northwest Chinese province bordering Russia, Mongolia, India and Pakistan has been slow in attracting foreign investment.

But the 1.7 million sq km province has no lack of resources.

It is rich in coal, oil, minerals and agricultural produce, including cotton and fruit.

The world-famous "silk road" passes through many parts of Xinjiang, he said, making it a popular tourist spot.

Mr Amat said plans are in hand to improve the air and land links of Xinjiang to assist businessmen and tourists.

The Xinjiang Regional Airline Co, a joint venture between the Civil Aviation Administration of China (CAAC) and Xinjiang province, has been formed to expand air services.

He said Xinjiang is presently linked by air with Peking, Shanghai, Lanzhou and Xian.

"We plan to launch a new Xinjiang-Canton air route around August this year," he said, adding that the service will considerably shorten travelling time between Hong Kong and Xinjiang.

At present the company does not have its own aircraft and is relying on CAAC.

To provide incentives to investors, Xinjiang has put forward a number of preferential terms which are better than those offered by the coastal cities recently opened to foreign investment.

For instance, Mr Amat said, Xinjiang will provide low interest loans to foreign investors who are willing to form joint ventures or wholly foreign-owned enterprises in the province.

"They will be treated like state-owned enterprises and financial assistance in the form of renminbi loans or low-interest foreign currency loans will be provided," he said.

CSO: 4020/113

HONG KONG MEDIA ON CHINA

COLUMNIST VIEWS 'FICTION' IN PRC POLITICS

HK230524 Hong Kong HONG KONG STANDARD in English 23 Jan 85 p 8

["A Chinese Opinion" column by Chang Kuo-sin: "The Triflers of Truth"]

[Text] Communist governments, in China as in other countries, are notorious for their lack of qualms in trifling with truth, reality and spontaneity and in resorting to chicanery, window-dressing, stage-managing or play-acting in order to make the undesirable appear desirable and the uncomplimentary appear complimentary.

While in China recently, I encountered two instances of this communist flair for the make-believe.

In the first instance, I came to a state-owned store with an impressive display of consumers products, including several large boxes, labelled washing machines. At that moment, a woman came up and asked the sales girl to show her the washing machines, but the sales girl told her they were not for sale.

After the disappointed would-be customer had left, I asked the sales girl why they were not for sale. She replied, "If we sell, we would have no more." This appeared to me to be a peculiar way of doing business and with my reporter's curiosity, I went up to the boxes and knocked at them. They were all empty.

The second instance was actually presented on television every night--commercials, not too professionally produced, advertising a variety of consumers products, such as rice cookers and even steel window frames.

The commercials gave me an impression of plentiful supplies and hence the need for competition for sales through advertising. But I was told that in reality none of the products advertised on television were available in the retail stores. They could be ordered from the factories, but the orders were never met.

The display of empty boxes purporting to contain washing machines and TV commercials advertising products not readily available in the market would be considered misleading, deceptive and even fraudulent practices in Hong Kong, but I was told that they are common practices in China.



And they are done, I found out later, with official blessings, even though the PEOPLE'S DAILY had recently condemned the "unhealthy tendency of practising frauds and trickery,...reporting the good news and not the bad news" and of submitting exaggerated claims, falsified records and doctored statistics.

The Party organ's attack notwithstanding, the truth of the matter, however, is that this "unhealthy tendency" prevails even in the highest echelons of power in the government and the Party, even as high up as the Party's Central Committee.

Take, for instance, this excerpt from the Central Committee's "Decision" last October on urban reforms:

"Since the founding of the People's Republic, we have practised a planned economy and concentrated vast financial, material and human resources on large scale socialist construction with tremendous achievements to our credit."

On my recent trip to China, I did see some of these achievements, some by themselves truly "tremendous," but these "tremendous" achievements when viewed in the context of the overall picture, were overshadowed by even more "tremendous" failure. Besides, if put side by side with the multitude of "tremendous" problems yet to be solved, the "tremendous" achievements are paled into insignificance.

Even more fundamentally wrong than this misleading claim, made out of context, of "tremendous" achievements is the Central Committee's exaggerated, unrealistic and now outworn claim that socialism is "superior" to capitalism.

In this connection, this was what the Central Committee said in its "Decision":

"The socialist society practises a planned economy on the basis of public ownership of the means of production. It can avoid the anarchy of production and cyclical crises characteristic of capitalistic society and ensure that production constantly meets the growing material and cultural needs of the people. This is one of the fundamental indicators of the superiority of socialist economy over a capitalistic economy."

The truth of the matter is once again far from what was claimed by the Central Committee.

What I saw in China tends to indicate more the inferiority rather than the superiority of socialism over capitalism. For instance, far from avoiding the "anarchy of production," planned economy under socialism actually had in many cases created "anarchy of production," such as what is happening in the production of unwanted and unmarketable consumers goods, now being piled up in warehouses, and in the overproduction of cotton, nearly four million tons of which are now stored in the open, left to rot with the elements of nature.

Planned economy also has failed to "ensure that production constantly meets the growing material and cultural needs of the people" and there could be no better proof of this failure than the government's current shift from socialism to capitalism in reforming China's economic structure.

The shift has already been reflected in expansion of productivity and more consumers goods are entering the market to meet "the growing material and cultural needs of the people."

Despite all the evidence to the contrary, China looks set at clinging to her almost obsessive belief in the superiority of socialism over capitalism, and this belief is becoming more a fiction than a reality.

As a matter of fact, almost all the fundamental ideological principles or concepts that form the foundation for China's system of government are more fiction than reality, such as ownership by the whole people, socialist democracy, the people's democratic dictatorship, the proletariat, the dictatorship of the proletariat and the people being the "masters of the state" and owners of the enterprises in which they are employed.

Fiction has always been known to play a more important role in the communist system of thought and action than reality, but clinging to fiction in an age of pragmatism poses problems.

The English philosopher Jeremy Bentham once said, "Fiction of use to justice? Exactly as swindling is to trade."

The question to ask along the same vein is: What is the use of fiction to politics in present-day China?

CSO: 4020/113

HONG KONG MEDIA ON CHINA

SHENZHEN AUTHORITIES BAN BLACK MARKET CURRENCY DEALS

HK041251 Hong Kong TA KUNG PAO in Chinese 1 Feb 85 p 1

["Special dispatch" from correspondent Chen Yun-ping [7115 3057 1627]:  
"Public Security Personnel in Shenzhen Have Taken Steps To Ban Frenzied  
Reselling of Hong Kong Dollars"]

[Text] Since January, the Shenzhen authorities have taken measures to comprehensively deal with the reselling of Hong Kong dollars in the black market. The departments concerned have sent large numbers of personnel to the railway station, post office, and other "black spots" to arrest people buying and selling foreign exchange illegally and to bring lawsuits against those who have committed criminal offenses. The departments concerned claimed that this was a drive to "eliminate the black spots" in social order.

In an interview with a reporter, the responsible persons concerned of the Shenzhen Public Security Bureau said that the public security departments are well-informed on the illegal buying and selling of Hong Kong dollars in the black markets. The bad elements engaged in such activities can be divided into the following three categories: First, the jobless people who fled from other localities to Shenzhen (most of them are from east Guangdong). They form into gangs, strike up conversations with visitors from Hong Kong, and offer a high exchange rate for Hong Kong dollars. Once the visitors are taken in, the bad elements use threatening means to grab the money and even severely beat the visitors. Second, those who are specially engaged in the business of reselling Hong Kong dollars. After illegally buying the Hong Kong dollars from Shenzhen, they resell them at a high price in other localities or purchase some daily necessities from Shenzhen to resell in other localities, thus obtaining exorbitant profits. Third, those who appear in the capacity of go-betweens. They introduce visitors from Hong Kong to the units that urgently need foreign exchange and receive commission charges for their services. The departments concerned hold that the people of the first category could be of greatest harm to social order.

The responsible person said that the public security departments in Shenzhen have always paid close attention to the case of illegal buying and reselling of Hong Kong dollars. In the year 1984 alone, a public security detachment of the Luohu subbureau arrested several thousand bad elements involved in

the illegal buying and reselling of foreign exchange, but it had little effect owing to certain reasons. The situation has become increasingly aggravating in recent months. Some gangs fraudulently purchased large amounts of Hong Kong dollars, which forced the black market exchange rate to rise sharply to HK\$10 to 8 yuan and even to 1 to 1.

The responsible person said that Shenzhen launched a drive in early January to eliminate the black spots in social order, which included dealing with the cases of illegal buying and reselling of foreign exchange and swindling, maintaining public order, and so on. Since these measures were taken, the public security organs have uncovered several gangs involved in the illegal buying and reselling of Hong Kong dollars. For example, on 30 January, a Hong Kong visitor named Huang Min (male, age 30) tried to exchange HK\$20,000 for renminbi with three young men near Haifeng villa, Yingbin Road at the exchange rate of 10 to 7. The three young men promised to give him 14,000 yuan. After concluding the transaction, both sides parted company. Huang counted the money but found that the three men paid him only 8,070 yuan. The rest were all blank paper. Huang immediately reported the case to the Luohu police station. Accompanied by Huang, the police arrested the three young men 2 days later. Through investigation, they discovered that the three young men called Wu Longjia, Wu Xijie, and Chen Yongliu formed a gang, committed crimes repeatedly, and took Hong Kong dollars from visitors by force.

In September 1984, the Shenzhen public security departments also cracked a case of illegally exchanging Hong Kong dollars for renminbi, which led to severe injury. The offender involved in the case was a Hong Kong citizen. According to the details of the case, the 23-year-old offender Li Hui illegally immigrated to Hong Kong in 1979. He entered Shenzhen on 27 September 1984, and took a 30-year-old woman from Dongwan to No 70, Lane 4, Luohu village under the pretext of exchanging Hong Kong dollars for renminbi. When they entered the house, Li suddenly struck a heavy blow at the woman's head and severely injured her. Then he took the woman's 4,000 yuan by force, exchanged the money for Hong Kong dollars at the public square near Shenzhen railway station, and secretly left for Hong Kong.

Having been informed of the matter, the Shenzhen public security departments immediately set about handling the case. When Li entered Shenzhen the second time on 5 October 1984 and was trying to use the same means to grab 7,000 yuan from two Dongwan women at the same place, he was caught red-handed by the public security personnel. Li is being detained now and he will be handed over to the people's court for trial.

This responsible person said: According to information, a number of bad elements are taking the advantage of the black market in illegal reselling of foreign exchange to carry out all sorts of criminal activities. For example, they take the Hong Kong visitors who intend to exchange money to a secluded place and then take away their money and valuables by force. Some carry out illegal activities in collaboration. While they exchange money with the Hong Kong visitors, their collaborators who pass themselves off as public security personnel appear suddenly, thus cheating the visitors

out of their money in the confusion. Others cheat Hong Kong visitors by putting blank paper between the renminbi. The public security departments have taken resolute measures to crack down on these criminal offenses.

The responsible person called on the Hong Kong compatriots not to risk their lives just for a momentary slip, which could lead to grave losses and also adversely affect the state's monetary system. He also said that since the beginning of January, in coordination with the personnel of some units, the public security departments have sent large number of plainclothesmen to deal with bad elements engaged in the illegal buying and reselling of foreign exchange. They have also dispatched vehicles with loudspeakers to carry out publicity at various places. As far as I know, the illegal buying and reselling of Hong Kong dollars has been restrained to some extent recently.

CSO: 4006/369

HONG KONG MEDIA ON CHINA

SHANGHAI TO CONTROL DISGUISED CURRENCY CIRCULATION

HK011229 Hong Kong TA KUNG PAO in Chinese 1 Feb 85 p 3

["Special dispatch": "Shanghai Puts a Stop to Disguised Currency Circulation; Distribution of Shares, Gift Tokens Must Be Examined and Approved"]

[Text] With regard to the emergence of various types of disguised currency in Shanghai, the Shanghai branch of the People's Bank of China recently reiterated China's regulations on monetary supervision and management. The regulations strictly forbid disguised currency circulation and stipulate that the distribution of shares, gift tokens, and lottery tickets must be examined and approved so as to ensure the stability of the money market and the successful carrying out of economic structural reform.

It is reported that recently some enterprises in Shanghai, without the approval of the People's Bank, have issued shares and bonds for the purpose of raising funds. On the basis of mutual negotiations, some units and shops have distributed "purchase certificates" and "goods collection certificates" for the welfare of staff and workers. According to an investigation by the department concerned, from the third quarter of last year, the "purchase certificates" and "goods collection certificates" distributed on the basis of agreements between 20 shops and 200 units amounted to some 2.4 million yuan.

A responsible person of the Shanghai branch of the People's Bank of China said: This abnormal situation and the practice of violating financial and economic discipline must be controlled. Otherwise, they will hamper the smooth carrying out of economic structural reform, create credit confusion, and affect the stability of the money market.

In view of the above situation, the Shanghai branch of the People's Bank of China reiterated the following regulations on monetary management:

1. Units collecting funds from society by distributing shares and bonds or by other means must be approved by the Shanghai branch of the People's Bank of China; they are not allowed to distribute them of their own accord. Running public, high-profit business for personal gain in the name of the collective must be corrected.

2. Units distributing gift tokens must be approved and must strictly control the number of gift tokens distributed. The gift tokens distributed can be sold only to individuals for the purpose of presenting gifts, and selling gift tokens to enterprises or groups is strictly forbidden.
3. Issuing or selling lottery tickets for the purpose of collecting funds should be trial-implemented with the approval of the Shanghai branch of the People's Bank of China, and the announcement of the numbers of lottery tickets should be supervised by the public notary departments.
4. The practice of issuing "purchase certificates" and "goods collection certificates" is in violation of the state regulation concerning the prohibition of disguised currency circulation and must be immediately stopped. The "purchase certificates" and "goods collection certificates" which have been issued must no longer be used and must be disposed of within a limited time.

A responsible person of the department concerned in Shanghai pointed out that stabilizing the money market and making the market prosperous are closely related to enlivening the economy and promoting reforms and involve the interests of the people. Necessary punishment must be imposed on the responsible persons of, or the persons concerned in, the units seriously violating the regulations.

CSO: 4006/369

HONG KONG ECONOMIC TRENDS

DELEGATION LEAVES FOR U.S. TO FIGHT COUNTRY OF ORIGIN RULES

HK040309 Hong Kong HONG KONG STANDARD in English 4 Feb 85 Business Standard Supplement p 1

[Text] Hong Kong is facing an uphill battle in its fight with the United States over the country of origin rules on textile imports which starts today in Washington.

The negotiation sessions is scheduled for three days but industry sources said it could last longer than that period as pressure on both governments is high.

The local textiles industry claims that it will face massive unemployment and close-downs if the rules are not amended soon. The dispute could also hamper American relations with China, who also protested vehemently over the import restrictions.

Beijing's ambassador to Washington, Mr Zhang Wen-jing, was quoted as saying that China might consider reducing its agriculture produce imports from the U.S. but he later denied he had made such allegations of retaliation. But the U.S. farmers are apparently concerned and seven farm state congressmen sent a letter to Mr Reagan pleading with him to review the new textile restrictions.

Knitwear retailers in the U.S. have also protested against the rules, claiming that reduced textile imports will push domestic prices up and damage business.

The Director of Trade, Mr Hamish Macleod, is heading the Hong Kong delegation which includes Assistant Director of Trade, Mr Robert Footman, and Principal Trade Officers Messrs Thomas Yiu and H.P. Lee.

The U.S. team heading the negotiation is Miss Karen Weaver, the assistant chief textile negotiator, and will be directed by Mr Richard Imus, the chief textile negotiator of the U.S. Trade Representative Office.

The new country of origin rules on textiles was slapped on Hong Kong and other developing countries on October 31 last year by the U.S. in an attempt to end a practice known as "transshipping" which American textile



manufacturers contend subverts quota regulations and undermines the domestic knitwear industry.

When a textile-making country is near the limit of its exports to the U.S. it often sends garments to a neighbouring country for final assembly and labelling, thus taking advantage of that country's unused quotas.

But the Reagan government has redefined the technical term "country-of-origin" under the new rules to mean that a garment being sent to the U.S. is legally from the last country in which substantial transformation took place--not just the final steps.

Hong Kong trade officials insist that the rules disrupt an accepted practice in the textiles industry used to take advantage of cheap labour and keep costs down.

"There is nothing unusual about the international division of labour. The United States, for example, does it in the case of electronics," Macleod said before he left for Washington.

He and other garment manufacturers believe that the new rules violate an existing textile trade agreement and cite official statistics showing the U.S. textile industry is not suffering.

The Hong Kong government estimates that more than 70 percent of Hong Kong's sweater exports to the U.S. are assembled from panels knitted in China and therefore run afoul of the rules.

Normally they would carry a "Made in China" label, but China's own quotas are full.

More than 30,000 people are directly employed by Hong Kong's knitwear industry and many jobs could be in jeopardy if the rules are not amended soon, the Trade Department maintains.

Local knitwear manufacturers, whose exports to the U.S. are normally worth more than US\$250 million annually, are jittery, saying that December orders for the U.S. market were down by 50 percent.

However, they are encouraged by findings in December by the Textiles Surveillance Body (TSB) of the General Agreement on Tariffs and Trade.

The Geneva-based TSB concluded that the new rules were not in keeping with a 1982 U.S.-Hong Kong textile agreement that can only be changed by bilateral agreement.

TSB also recommended that the two parties should co-operate to avoid disruption to the orderly and equitable development of Hong Kong's trade.

Hong Kong had made representations to the U.S. through petitions by the local industry and through discussions but the U.S. has repeatedly refused

Hong Kong's request to rescind the rules. To add insult to injury, the U.S. Customs has recently banned from entry into the U.S. three shipments it claimed violated the new rules.

Hong Kong and U.S. officials have already met several times on the rules but to no avail. The TSB asked the two governments to report on the latest talks by February 20.

CSO: 4020/111

HONG KONG ECONOMIC TRENDS

BANK OF CHINA OFFICIAL DISCUSSES HONG KONG-PRC TRADE

HK061144 Beijing XINHUA Hong Kong Service in Chinese 1052 GMT 5 Feb 85

[Text] Hong Kong, 5 Feb (XINHUA)--Jiang Wengui, director of the Hong Kong and Macao Management Office of the Bank of China, stated today: With our country's introduction of the open-door policy, there is no need to worry about the weakening of Hong Kong's position and role. Nor is there need for worry about the outflow of Hong Kong capital. He said that China's existing economic policies have made for an improved investment environment in the country and an increased market demand. This has had a good impact on Hong Kong's economy.

At the invitation of the Hong Kong University chapter of the Hong Kong Branch of the International Association of Students of Economics and Commerce, Jiang Wengui delivered a speech at Hong Kong University entitled "China's Economic Policy and Hong Kong."

Jiang Wengui pointed out that Hong Kong's position or role is of a dual nature, as far as the interior of the country is concerned. First, Hong Kong itself is also a target of trade. Like other countries and areas, it can participate in trade. Hong Kong's industrial, commercial and financial enterprises can invest in the interior and can enter into cooperation with inland undertakings. Second, it can serve as a link in intercourse. It can take advantage of its favorable conditions to provide information and services in bringing in foreign capital and advanced technology for the country. This is the reason why many foreign financial, industrial, and commercial enterprises have been eager to set up branches in Hong Kong. As to whether Hong Kong's position and role will weaken, this depends on its future economic development. If it can continue to maintain prosperity, an advanced level and great competitiveness, then its role will only be strengthened rather than weakened. This depends on the efforts of us Hong Kong people.

Jiang Wengui said: Hong Kong is blessed with unusually favorable conditions, with its abundant source of capital, its relatively advanced technology and equipment, its relatively quick access to international economic information, its knowledge of modern management, and its large supply of trained personnel. Hong Kong can first avail itself of these conditions to take advantage of the good investment environment brought by the open-door policy to invest in the open cities or in the interior of the country. At present the scientific and technical levels of inland industry and agriculture are not high. The levels

demand in the reform of old enterprises in particular are not too high. Hong Kong's existing technical levels are equal to the job. Hong Kong itself is lacking in advanced science and technology. When the inland technical requirements are raised, Hong Kong will fall short of meeting demands for advanced levels. Even so, Hong Kong can still exploit its favorable conditions to serve as a link in bringing in advanced world technology--playing an active role in tripartite or multiparty international cooperation or investment. The building of the Daya Bay Nuclear Plant in Guangdong is a case in point.

Jiang Wengui said that Hong Kong entrepreneurs investing in the interior of the country may really take away some capital. This is a fact. But it is common knowledge that entrepreneurs' involvement in inland investment is different from the transfer of capital out of Hong Kong, because the money invested inland will still return. Moreover, entrepreneurs will not commit all their own capital to inland investments. Most of such investments, or the greatest part of them, come from bank loans. Hong Kong is an international financial center, with money coming in from every part of the world. Now all world financial markets have an abundant supply of funds. The outflow of a little money from Hong Kong to the interior of China will not deplete Hong Kong's funds. This is no cause for worry. Moreover, entrepreneurs are quite good at figures. Since it is an investment, they take the matter of withdrawal into account. After a number of years the funds invested will gradually return. Such funds bring with them profits. They will grow bigger and bigger in size as time goes on. The more money invested, the greater the returns. It will never be a case of money leaving only to disappear for good.

Involvement in inland investment is not only beneficial to the state's construction effort but also conducive to Hong Kong's prosperity and individual gains. It is an act that serves many purposes. [words indistinct] investment in the interior of the country still involves certain problems, such as still imperfect economic legislation, poor transportation and communications facilities, and so forth. It is believed that these problems can be settled before long. It should be said that the prospects for investment in the interior are bright.

Apart from investment, another factor having a relatively large impact on Hong Kong is a gradual increase in trade with the interior of the country. With its 1 billion people, China is a tremendous market. The demand for not only the means of production but also the means of subsistence is tremendous. With the 1 billion people's enthusiasm for production aroused, there will be big increases in industrial and agricultural products. There will be more things for export to other countries and for exchange purposes. This benefits Hong Kong the most. Hong Kong stands to gain from its proximity to China. It can have an edge in trading. In 1984, Hong Kong surpassed Britain and West Germany in the exports of its own products to the inland market, ranking second, with an increase of more than 80 percent compared with 1983. This is the best case in point.

I want to add something. Given the reform of the foreign trade system and the delegation of power where foreign trade is concerned, foreign and Hong Kong businessmen can have more trading partners. Meanwhile, the reduction of administrative levels will help accelerate the pace of negotiations. This will make trading much easier than before.

In conclusion, Jiang Wengui pointed out: China's existing economic policy will provide still greater investment opportunities for Hong Kong's enterprises. It will make for a greater increase in the trading volume between the interior and Hong Kong, not only opening up a domestic market for Hong Kong products but also revitalizing the Hong Kong market. It will provide an outlet for funds of Hong Kong's financial institutions, thus invigorating the financial market. Given increased economic links with inland ports and an increase in people traveling, the tourist industry will also prosper.

CSO: 4006/381

HONG KONG ECONOMIC TRENDS

HUBEI RIBAO VIEWS IMPRESSIONS OF WANG GUANGYING

HK110224 Wuhan HUBEI RIBAO in Chinese 22 Jan 85 p 2

[Report by Liu Qinglin [0491 1987 2651]: "My Impressions of Wang Guangying"]

[Text] Wang Guangying came and left like a whirlwind. Although he stayed in Wuhan for less than 3 days, his capability, his decisive style, his efficiency, and his high aspirations despite his advanced age, all have made a deep impression on others. I followed him during his visit and have jotted down my impressions, which might interest our readers.

Why Did He Give Up His Position as a "Government Official" But Take Up Business?

Wang Guangying formerly was the vice mayor of Tianjin Municipality and was later elected vice chairman of the CPPCC National Committee. He could surely live in ease and comfort. Then why did he give up his easy life but start a new venture in Hong Kong instead?

When meeting the responsible people of Hubei Province, Wuhan City, and prefectures, cities, and autonomous prefectures on the afternoon of 20 January, Wang Guangying revealed his secrets.

Wang Guangying visited Hong Kong and Macao with Hu Ziang, chairman of the Executive Committee of the All-China Federation of Industry and Commerce, in February 1983. During his stay in Hong Kong, many industrial and commercial magnates called on him every evening seeking opportunities for business cooperation. Wang Guangying obtained much information in his contacts with these friends. At that time the worldwide capitalist economic crisis had reached its limit and the world was suffering from economic depression. Many businessmen declared bankruptcy in the economic crisis and a great deal of equipment were being sold by auction at cheap prices. This reminded him of the historical fact that the Soviets purchased a great deal of cheap "second-hand equipment" during the capitalist crisis in the 1930's and thus gave a great impetus to domestic industrial development. He wondered why China could not make good use of this opportunity. On the other hand, what he had seen and heard in the Hong Kong and Macao markets made a deep impression on him that China's position in the international market at that time was very much incommensurate to its status as a big nation, that the bureaucratic style of Chinese trade officials was incompatible with the dynamic world market. So an idea came to him: He decided to resume his former career again and to start

business by establishing a complex transnational corporation. After returning to Beijing he proposed his plan to the central leaders, with the intention of serving the state. His proposal won support, and thus the Everbright Industrial Corporation subsequently was founded.

Wang Guangying smiled and said humorously: "In Hong Kong, I am a 100-percent big capitalist. But people in Hong Kong and Macao say 'Wang Guangying is a capitalist indoctrinated with communism.' I do not care how people refer to me, whether as a capitalist 'indoctrinated with communism' or a 'red' capitalist. I do not mind, as long as we are doing good business."

"Project Manager," a New Thing!

Nowadays our trade departments at home are fettered by many rules and regulations. A project proposal must "travel" through many departments before approval, but this mainly results in nothing, although there are dozens of chops affixed on it. At Everbright Industrial Corporation, every "project manager" is fully authorized to make decisions.

What is "project manager?" It is a manager especially in charge of business. The project managers of "Everbright" are generals without an army. They are not only businessmen specialized in careful calculations and strict budgeting but also pathbreakers with courage and insight. They travel throughout China and abroad to hold business talks. They are fully authorized to make prompt decisions without consulting the chairman of the board of directors whenever they think a deal is profitable.

Then what action will be taken if they have done "something wrong?" Wang Guangying said: "I will take full responsibility if they do something wrong. If we keep on criticizing a person who has made a mistake, he will be scared and be at a loss what to do. However, if we do not criticize him, he will work conscientiously after he examines the mistakes on his own. At any rate, so far our project managers have made no blunders. There has been no serious complaint about any of the equipment purchased and contracts concluded by our staff. Last year the volume of business concluded by every project manager of our company was \$10 million on the average--their efficiency definitely was not too bad."

I asked Huang Xueping, deputy chief of the Hubei office of the Beijing Everbright Industrial Corporation, why these projects managers have managed to do such a brilliant job. He replied: "We have a gentlemen's agreement at 'Everbright'--whenever a staff member makes a blunder, he has to draw a lesson from his experience. If he makes any more mistakes, it will be regrettable that he will have to quit."

"It Is Terrific To Have Scholars Taking Up Business!"

Can scholars and intellectuals take up business? I am afraid that many people will say no since they may think that intellectuals, being "stubborn and pedantic," can never compete with smart businessmen. But Chairman Wang Guangying holds a different viewpoint on intellectuals. He said: "It is terrific to have scholars taking up business!"



What is his reasoning? Chairman Wang explained: "Intellectuals are specialists in certain fields. They have a common language and can readily get along well with foreigners. If our employees are 'bureaucrats' unfamiliar with business, our clients will naturally look down at them, or even cheat them, and thus take advantage of our company. By the way, since our foreign trade cadres are fettered by too many old conventions, they are not used to taking the whole situation into consideration when coping with a problem. These cadres like to prolong negotiations with the aim of cutting the price of a purchase by a few ten thousand yuan. After that, they will put aside the negotiations and try to cut the price again. So, they will have spent much of their time in negotiations before they can make a deal. It appears that they have gained in the negotiations, but in fact they have spent too much time, and the loss of time is in itself a tremendous loss. Therefore, our company from the very beginning has not employed any cadre from the foreign trade departments."

Then what cadres does he employ? Li Xinshi, assistant general manager of Everbright Industrial Corporation, said: "'Everbright,' currently has more than 230 cadres and staff members, of whom over 70 percent are intellectuals holding bachelors or masters degrees or even the title of associate professor. The average age is about 40. Every applicant for a vacancy has to undergo a five-step procedure before entering the company, namely: Political screening, written examination, oral examination, interview, and finally, a very special step--approval by impression."

Chairman Wang never intervenes in the first "four steps" but takes care of the final step of "approval by impression" in person. He interviews every applicant who has succeeded in passing the first four steps. And if he is satisfied with the interview, the interviewee will be employed on probation for half a year. If the probationer fails to achieve anything during the period of probation, he will be asked to leave the company.

Therefore, while people are making every effort at present to squeeze through back doors for attractive posts, to all incompetent people. [as printed]

Chairman Wang Told Comrades of Hubei Province: "Let Us Become Associates!"

Wang Guangying is very satisfied with the natural conditions of Hubei Province. When he held talks on technical cooperation with the responsible comrades of Huangshi City on the evening of 19 January, he said: Hubei is a good place to do business. Many years ago my uncle worked as a mine manager in the Hanyang, Daye, and Pingxiang Coal and Iron Mining Corporation. Now I come in my turn. But this time I come to serve the province.

When meeting leading people of the Hubei Provincial Government on 20 January, Chairman Wang talked with great interest about plans for technological development and equipment import concerning the Qingjiang hydroelectric power station, the Hanchuan thermal power plant, the salt chemical industry, and the phosphate chemical industry. He told comrades of Hubei Province: "Cooperation is not enough; let us become associates! Hubei is located in the central plains. Let us strive to boost the central plains along with the Chang Jiang Valley. I hope that you will do even better in business than 'Everbright' does. After all, all of us have a common goal--to strive for the 'takeoff' of the Chinese nation!"

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